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THURSDAY, DECEMBER 30, 1943

Just Off the Press

PRACTICAL FIRE AND CASUALTY INSURANCE

by J. EDWARD HEDGES, Ph.D.

The insurance business has long needed a straightforward, easily understood presentation of what any man or woman needs to know about insurance to carry on the business.

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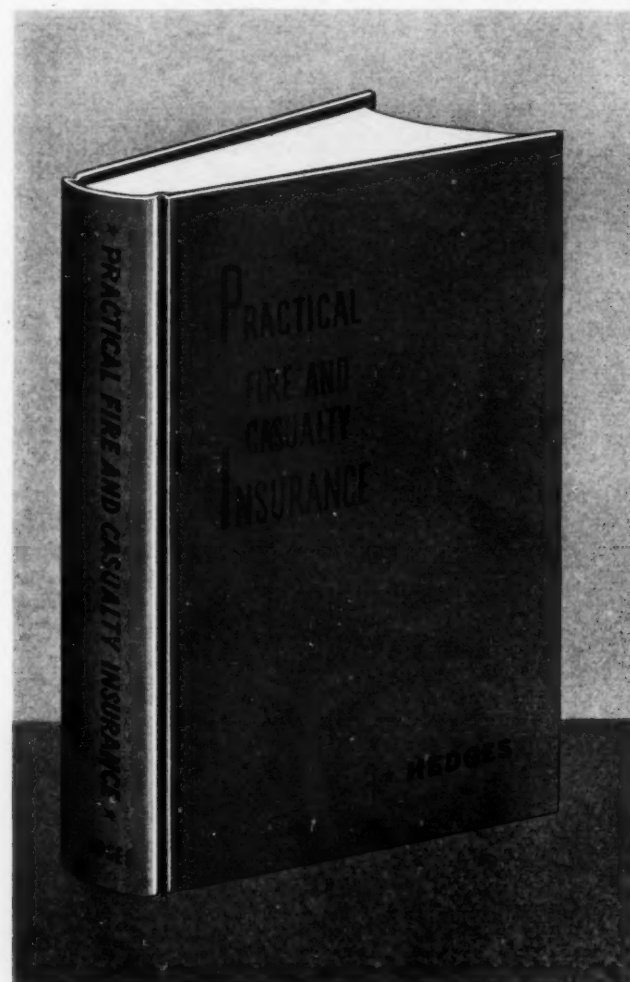
SUBJECTS COVERED

Within 290 pages, devoid of unnecessary frills and academic discussions, Professor Hedges covers the essentials of Fire and Casualty insurance. Its 10 chapters are: 1. Principles of Insurance, 2. Organization of the Insurance Business, 3. The Standard Fire Contract (including the 1943 New York policy), 4. Extended Cover and Collateral Fire Lines, 5. Consequential Loss, Including Use and Occupancy Insurance, 6. General Liability and Workmen's Compensation, 7. Inland Marine Insurance, 8. Automobile Insurance, 9. Miscellaneous Casualty Lines, 10. Bonds.

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Ind. Law Requiring Agents to Receive Commissions Void

Statute Barring Salaried Representatives in State Held Unconstitutional

Judgment has been entered in the superior court of Marion county (Indianapolis) holding null and void that section of the 1935 agents license law which stipulates that an agent can be licensed to represent a company on a commission compensated basis exclusively. The judgment was entered after Attorney General Emmert and attorneys for Hardware Mutual Casualty, which intervened in the case, in agreement, presented the matter to the judge.

The action was brought shortly after the law was enacted by James Schoonover, an agent at Vincennes representing mutual companies, in a suit against the insurance department. That part of the law which prohibited licensing of agents who were compensated on a salary or a salary and commission basis was never actually enforced. The mutual interests caused legislation to be introduced to knock out that section of the law and last March, while the legislature was still in session, the attorney general gave an opinion that this feature of the statute was unconstitutional.

The stock company agents in Indiana have been very much interested in this situation and they exerted their influence in the legislature against the amendment that was desired by the mutuals.

Attorneys for Hardware Mutual Casualty, which was represented by Mr. Schoonover, are Dailey, Davis & Hartsock of Indianapolis.

N.A.I.A. Committee Chairmen Picked

Committee chairmen of the National Association of Insurance Agents for 1944 were announced by President Fred A. Moreton of Salt Lake City. They are: Accident prevention, I. R. Zerzan, Omaha; agency qualifications, T. G. Redden, Greensboro, N. C.; aviation, D. J. Main, Denver; branch office, R. H. McLarry, Dallas; business development, A. I. Wolff, Chicago; credentials, W. B. Calhoun, Milwaukee; educational, L. P. McCord, Jacksonville, Fla.; fidelity and surety, Speed Warner, Kansas City; finance, R. M. L. Carson, Glens Falls, N. Y.; financed accounts, H. H. Hendren, Sacramento; fire prevention, W. L. Ferguson, New Orleans; inland marine, Hunter Brown, Pensacola, Fla.; membership, L. F. Whelan, Greenwich, Conn.; public relations, Wade Fetzner, Jr., Chicago; rural agents, H. C. Arnall, Newnan, Ga.

Selection of a chairman of the casualty committee will be announced soon. All have been closely identified with state and National association work for many years.

Confer on Dineen Order

A special committee of the governing committee of the New York Fire Insurance Rating Organization held a conference with Superintendent Dineen of New York Wednesday morning to discuss the answer of the rating organiza-

N. Y. Rating Bureau Gives Report on Factory Mutuals

NEW YORK—Disclosing officially for the first time complete information on the operations of the Associated Factory Mutuals, the New York department rating bureau this week released its extensive examination report. The report, which runs 72 pages of double spaced typing, is the work of Frank Montesani who was also in charge of the department's examination of the Factory Insurance Association and of the Interstate Underwriters Board.

In his conclusions Mr. Montesani states that "on the whole your examiner has no serious criticisms of the results of the rating procedure and dividend practices of the Factory Mutual companies." He said it was evident that there is a sincere effort to produce equitable treatment for various types and classes of risks. One suggestion which he felt should be made was with respect to the methods of applying "susceptibility" charges on substandard risks. The question was raised of the status of "extra absorptions" which are in effect non-participating extra premium charges for substandard risks. He criticized the large element of judgment used in such cases.

Judgment Modification

Considerable statistical data, Mr. Montesani said, is prepared for guidance in determining base rates of the various classes of risks. The loss and expense cost are related to insurance in force "which is in conformity with sound rating theory." The volume of business is not sufficient to provide full credibility to the experience for various classes. Therefore the statistical indications require judgment modification so as to avoid violent fluctuations in rate levels, he stated.

In his conclusion Mr. Montesani calls particular attention to the following criticisms and recommendations contained in the body of the report:

1. Concurrence when the Factory Mutuals and stock companies issue policies on the same risk. The question arises as to what form to use since the stock company and the Factory Mutual forms vary and the assured wants similar wording and protection. In the case of F.I.A. forms the differences are not as great as where ordinary forms used by stock companies are employed. Mr. Montesani suggests that the Factory Mutuals and the stock companies should form appropriate committees to thresh this problem out, since under present day conditions the capacity of both groups of companies is often required and sometimes exhausted, making concurrency necessary. Some of the differences relate to amounts and limits of liability under sprinkler leakage, various exclusions under explosion coverage, property outside of buildings under windstorm coverage, priorities where U. & O. is concerned, values of finished goods as affected by the coinsurance clauses, and also foundations, motor vehicles, mortgage interests, automatic coverage, automatic reinstatements, etc.

2. Absence of a coinsurance clause. The report points out that the examina-

tion to the recent order of Mr. Dineen to show cause why fire insurance rate reduction should not be made effective in the state. Representatives of the staff of the rating organization attended, together with W. F. Dooley, chairman of the governing committee; Ivan Escoff, J. J. Magrath, A. R. Phillips, W. J. Reynolds and Abraham Kaplan, counsel.

tion report on the F.I.A. stated that there had developed a competitive abuse of coinsurance principles and recommended that a joint committee be appointed to consider this subject inasmuch as the stock companies point to the absence of coinsurance requirements by the Factory Mutuals. Mr. Montesani states that in the case of the Factory Mutuals there is no need for increased deposit premium rates to provide for lower requirements of insurance value and there may be some reluctance on the part of the companies to consider the possibility of lower dividends. The Factory Mutuals though not usually requiring coinsurance clauses, do so on certain classes of risks and also when a risk is shared with other insurers having the clause in their policies.

3. Judgment increases in deposit rates for susceptibility in the absence of specific charges. "Susceptibility" is used to include weaknesses in the physical setup of a plant that are likely to result in greater loss from the perils insured against. Citing several examples, Mr. Montesani said that it was his opinion that despite the fact that there is a tendency toward uniformity of treatment by the various companies, the exercise of judgment in the application of such a wide range of charges as is made for susceptibility under the Factory Mutual setup does not provide a rating method which is considered generally as complying with the requirements of making rates which are not unfairly discriminatory. He states that if the Factory Mutuals construe their base rate as practically minimum rates and expect to depart from such rates they should adopt a supplemental rating plan or schedule providing for the uniform application of specific charges in accordance with clearly defined rules and conditions. He points out that the same judgment treatment of rates is exercised when the deposit premium rate is not increased but where extra "absorption" charges are made, to be collected at expiration as a deduction from the dividend.

4. Building and contents rates. "Experience has shown that there should be a marked difference in rates between buildings and contents. It is also evident among risks in the same trade or industry class there is considerable variation in the relationship of values of buildings to contents. The fact that the Factory Mutuals use a single rate for combined buildings and contents led to the stock company practice of promulgating average blanket rates. This practice is susceptible to abuse and is used as a means of competitive rate adjustment."

5. Classified experience and recommendation for a central agency. Reviewing a table based on data from one company, Manufacturers Mutual, designed to test gross deposit premium rates in relation to the net cost of insurance among various major class groups, the report points out that no consideration is given to the income derived from "extra absorptions." Expenses include also reinsurance premiums paid to companies other than Factory Mutuals. Since the companies do not report their experience by class to any central office for compilation there is no way of telling whether other companies compile their experience on the same basis as the Manufacturers Mutual. The report recommends that the companies devise a uniform form and report experience to one central of-

(CONTINUED ON PAGE 10)

Biddle Files Brief of 142 Pages in S.E.U.A. Case

Justice Department Dis- cusses Fate of State Regu- lation in Much Detail

The Supreme Court will probably hear the arguments in the S. E. U. A. case either Jan. 7 or Jan. 10. The latter date is believed the more likely of the two. The S. E. U. A. has until Jan. 4 to file its brief in reply to that filed by the government this week.

WASHINGTON—Apparently aware that the effect on state regulation of insurance may be the critical point in its case, the Department of Justice Monday afternoon filed a 142 page brief in its appeal to the U. S. Supreme Court which devotes considerable space to attempting to prove that the effect will not be very disruptive if Paul vs. Virginia is overturned and insurance is held to be commerce. Nevertheless the brief concedes on this point a great deal of what the defendants have contended. Otherwise the brief is pretty much an amplified version of the government's briefs presented at Atlanta in the district court action against the Southeastern Underwriters Association.

Attorney-general Biddle will present the government's case in its prosecution of the S.E.U.A., in arguments before Supreme Court, it is expected before Jan. 15.

Considering that the fate of state regulation of insurance is such an extremely vulnerable point in the government's case, it seems surprising that it has gone into the matter in such detail in its brief. A possible explanation may be that since the Justice Department knew that the defendants would stress this angle the government would be in a stronger position by getting in its story first.

Lists Types of Conflict

After listing a number of types of state regulatory activity which the government argues application of the Sherman act would not prohibit, such as an antidiscrimination and antirebate and those prescribing standard forms of policies and coverages, the brief states:

"A type of conflict with the Sherman act would be one which authorizes a private combination of insurance companies to fix premium rates without the approval of any state authority. The states cannot, of course, nullify the federal act by authorizing private persons or groups subject to the anti-trust law to do what that act forbids. "...a state does not give immunity to those who violate the Sherman act by authorizing them to violate it, or by declaring that their action is lawful..." (Parker v. Brown, 317 U. S. 341, at 351; Northern Securities Co. v. United States, 193 U. S. 197, 332, 344-347.)

"This limitation would affect the laws of a number of states. But the states by no means have a uniform policy against permitting rate competition among fire insurance companies. Thirteen states have no law which even mentions rate agreements or rate-making organizations."

The brief contends that there are only five states in which the rating bureaus created by the insurance industry are au-

thorized to fix rates generally without governmental check and 11 states in which bureau-fixed rates may be operative unless disapproved by state authorities.

"The Sherman act would apply to rates fixed in the first of these two groups, inasmuch as a state cannot by law authorize private conduct which the Sherman act forbids," the brief continues, citing the Parker v. Brown case again. "Whether rates fixed in the latter group would be unlawful might depend on how they were established. If approved by the state commissioner or independently promulgated by him (as is possible in nine of the 11 states), they might be regarded as the act of the state; if the effective rate were that established by the bureau in the absence of any official approval it would appear to be the act of a private combination and subject to the antitrust law."

The Department of Justice brief contends that application of the Sherman act to fire insurance will not have any dire consequences and that the fire insurance business has not made out such a case for special treatment as to warrant reading a special exception into the law.

Discusses Paul vs. Virginia

In the case of Paul vs. Virginia, the brief states, the issue presented to the court was whether the states were to have power to safeguard their citizens through the regulation of foreign fire insurance companies. There was no federal legislation on the subject and the court must have been aware that not a single regulation of business under the commerce power had been enacted by Congress in the 79 years since the Constitution was adopted. The court, according to the brief, was faced with the alternative of approving state regulation or, by striking it down, of leaving no effective check upon the irresponsible activities of insurance companies. The court might better have stated that whether or not insurance was commerce or interstate commerce, state regulation of the subject was to be upheld, the brief asserts.

The Department of Justice argued that in the cases following Paul vs. Virginia the court showed that the basic reason for the decision was its fear that if insurance were held to be commerce and accordingly subject to the federal power, the effect would be to exclude state control. All of the cases, according to the Department of Justice, involved the validity of state tax and regulatory legislation and in all of them the court was primarily concerned with maintaining the power of the state to regulate the insurance business. The Department of Justice argued that cases sustaining the validity of state laws are not to be taken as holding that Congress has no power under the commerce clause to enter the same field.

Individual Insurance Contract

In Paul vs. Virginia, according to the brief, the court was thinking solely in terms of the individual insurance contract and of the transportation of the policy itself across state lines. The question was whether the contracts were "articles of commerce." But the S.E.U.A. indictment alleges that in performance of the fire insurance contract money was sent across state lines, both by the insured and by the company. When contracts require the interstate movement of property for their performance, the latter is both commerce and interstate commerce and subject to the federal commerce power, the brief contends.

Use of Channels of Commerce

In the S.E.U.A. case the companies are charged with conspiring to monopolize the fire insurance business and specifically with conduct designed to force out of business companies not members of their association. The Department of Justice states that the performance of an insurance contract constitutes commerce even if the contract can be looked at as an isolated local transaction but the business of

(CONTINUED ON PAGE 8)

Mountain Aetna Fire Assistant Manager McVay Analyzes Questions Involved in S. E. U. A. Case

Detroit Manager Succeeds Tipperry in West—Field Changes Made

Several changes in the western department of the Aetna Fire group have been announced.

Harry M. Mountain, Wayne county manager at Detroit, is promoted to assistant manager in the western department, filling a vacancy resulting from the transfer of W. J. Tipperry to the reserve force after more than 50 years of active service.

Mr. Mountain began his insurance career in a local agency at Leavenworth, Kan., and from there to the western department office of the Aetna where he worked in various departments, later traveling in Indiana and Missouri, and for the past three years has served as manager of Wayne county, for the fire companies of the Aetna Fire group.

J. George Peterson succeeds Mr. Mountain in Detroit. Mr. Peterson started in the Chicago office and subsequently traveled in Indiana, then in western Missouri, from which field he now goes to Detroit.

H. E. Johnson, Jr., another graduate of western department office, who has served in the Nebraska and Illinois fields, is now transferred from Illinois to western Missouri as state agent, succeeding Mr. Peterson. He is a former president of the Illinois Fire Underwriters Association.

R. K. Johnson has been employed as special agent to succeed H. E. Johnson, Jr., and will be associated with State Agent Grant Bissell with headquarters in the western department office at Chicago. Mr. Johnson started his insurance career with the Illinois Inspection Bureau, subsequently traveling in Illinois for American and other fire companies. Until recently he was located at Minneapolis for Globe & Rutgers.

OK's Stock Exchange Delisting

The Securities & Exchange Commission has granted permission to Fireman's Fund, Home Fire & Marine and Occidental Indemnity, now Western National Indemnity, to delist their stock from the San Francisco Stock Exchange.

The 50th anniversary of Ralph Sweetland's connection with the New England Insurance Exchange will be celebrated with a banquet in Boston about the middle of February. It had originally been planned for Jan. 14.

Fireman's Fund gave a Christmas bonus of 5% of salary to all employees with the company prior to Jan. 1, 1943, and 3% to those employed in 1943.



H. E. Johnson, Jr.

C. D. McVay, president of Ohio Farmers, in an address before the Cleveland Field Club, gave in layman's language a discussion of the legal and constitutional questions involved in the S. E. U. A. and Polish National Alliance cases and the states' rights bill before Congress.

Mr. McVay, who is a lawyer, traced the evolution of judicial interpretation of the commerce clause of the federal constitution and what activities Congress may regulate under the authority of the constitution which empowers Congress to regulate commerce "among the several states."

Mr. McVay observed that for all time the governmental regulation of the insurance business has been state regulation. There is scarcely a subject that one or more states has not acted upon. He mentioned rate laws, statutory policy forms, prohibition of discrimination and rebates, licensing and qualification of agents, amount to be paid in event of total loss, conditions upon which non-admitted insurers and non-resident brokers may operate.

The insurance commissioners association (CONTINUED ON PAGE 30)

R. R. Cover Is Not Affected by Federal Seizure

WASHINGTON—The government's taking over the railroads will not affect insurance covering railroad property, according to information from reliable sources. Under the executive order authorizing the army to supervise the roads existing contracts and agreements are to remain in force thereby facilitating return of the roads to private hands when the time comes. However, it was indicated that if the threatened strike is not averted and the government has to assume absolute control the government might take over some of the risks now insured either by canceling policies or by failing to renew on expiration.

Maxwell with N. Y. Underwriters

Robert B. Maxwell, Jr., has been appointed special agent of New York Underwriters with headquarters at Chicago. He is a graduate of Armour Institute and was with the Missouri Inspection Bureau until 1942 when he went with the plant protection branch of the internal security division. He is a nephew of W. K. Maxwell, retiring vice-president of Hanover Fire, and of D. P. Coffman, special agent of New York Underwriters at Chicago.

Cold Storage Cover in N. H.

Commissioner Knowlton of New Hampshire announces that the property of customers in cold storage lockers may be insured for the locker owner under a marine or inland marine form. A number of other states have been making a similar modification of the uniform definition of marine writing powers.

F.I.A.'s Premiums \$25 Million in '43

President Pierce Lauds Staff's Work in Difficult Transition Period

HARTFORD—Premiums of the Factory Insurance Association for 1943 totaled about \$25 million, C. W. Pierce, president, disclosed in a personally signed letter to all F.I.A. employees. Reviewing the past year and commenting on future developments, he pointed out that during the year losses increased in line with the trend in the fire insurance business. Many of these losses, he said, have been the direct result of the intensive pressure for war goods and must be accepted as war casualties.

Mr. Pierce mentioned that the F.I.A. has been entrusted with the writing of approximately 80% of the fire insurance requirements of the Defense Plant Corporation, a responsibility which carries with it many special problems of engineering, underwriting and management seldom presented to the insurance business in the field of private industry in peacetime. He also commented on the F.I.A.'s contribution to the war effort through supplying special reports to interested government agencies through the National Bureau for Industrial Protection.

Work Unusually Heavy

An unusually heavy work-load has been assumed by the accounting, engineering, underwriting and other departments because of the large amount of business being handled and the complicated adjustments required as a result of the consolidation by which the F.I.A. was made a national organization last July 1. He also mentioned the F.I.A.'s reinsurance of the Western Sprinkler Risk Association liabilities. "The measure of success which the F.I.A. will have in the future depends largely upon the initiative, resourcefulness, efficiency, and spirit of our employees," Mr. Pierce stated. "Our first year has been a difficult and important one. We enter the second year with confidence. For the hard work and intelligent endeavor of all of the people of our association, appreciation and thanks are justly deserved and freely given by the management."

Ill. Brokers Seek Vote on States Rights Bill

Leaders in the Insurance Brokers Association of Illinois, who are seeking to neutralize the action of the directors in adopting a resolution opposing the Bailey-Van Nuys states rights bills in Congress, are circulating petitions for a specially called meeting of the membership to vote on the question. This group caused a meeting of the membership to be held last week but President Ray H. Johnson refused permission for a poll to be taken at that time, on constitutional grounds. If a meeting is held it is likely to be about the middle of January.

No. America Employees Cited

Coincident with their annual Christmas carol service, Christmas Eve, employees of North America were presented with a citation from the Treasury Department for their work in connection with the third war loan drive, to which more than 92% of them subscribed.

E. A. Roberts, president of Fidelity Mutual Life, who is state chairman of the war finance committee, made the presentation.

John A. Diemand, president, paid tribute to the 492 employees now serving in the armed forces. All officers and employees attended the service, which centered around a choir of several hundred, each attired in vestments and directed by J. A. Griffiths.

THIS WEEK IN INSURANCE

Department of Justice files a 142-page brief in S.E.U.A. case before U. S. Supreme Court. Page 1

Indianapolis court holds unconstitutional statutory provision that licenses may be issued to agents that are compensated on a commission basis exclusively. Page 1

F.I.A.'s 1943 premiums \$25 million. President C. W. Pierce states in letter to staff. Page 2

E. H. Forkel is appointed general manager of western department of National Fire group. Page 3

Movement is set afoot to organize the Home Owners League with an insurance bait. Page 3

W. J. Tipperry, assistant manager of Aetna Fire in the west, is retiring after 50 years' service and is succeeded by Harry M. Mountain, formerly Detroit manager. Page 2

Open forum plan for considering suggestions from other organizations adopted by California Association of Insurance Agents directors at first board meeting. Page 4

Pennsylvania Casualty opens western department in Chicago with H. E. Man-kin as resident vice-president and Sharm-kin Owsley as assistant manager. Page 26

Four associate partners of Conkling, Price & Webb in Chicago have become general partners. Page 26

Ambitious Plan Is Being Promoted for Home Owners

Attempt Is Being Made to Offer Insurance at Less Than Regular Rates

WASHINGTON — A movement is being started here largely under the auspices of the National Association of Real Estate Boards to organize the Home Owners League. Primarily this seems to be an attempt to promote an association that can be used expressing public opinion as to those issues that confront property owners and particularly those having homes of their own. The immediate goal will be 2,000,000 members. It can be seen that with an association of this character much influence can be used if need be.

The National Association of Real Estate Boards has been very active here in Washington largely engaged in war effort. It has been brought into play where any land is to be purchased or in fact any question that involved real estate transactions, rent control, etc. Just now it is found that the government owns one-sixth of all the land in the country. The National Association of Real Estate Boards has been the front for the Army and Navy in any effort to gain congressional appropriation for greater land purchases. The organization has been very helpful. In fact, Executive Secretary Herbert U. Nelson of Chicago has resided here for some time only returning home about once a month for a few days. He has been in constant touch with the situation. When the war is over naturally the Army and Navy will need to sell considerable of their land where camps and fields have been established. The National Association of Real Estate Boards will be brought into action in assisting in the sale.

Plans Insurance Bait

So far as can be learned, and the plan is very much in embryo, at this time the Home Owners League will be an auxiliary of the National Association of Real Estate Boards or a companion organization. Inasmuch as the real estate organization will be put to considerable expense it is looking for ways and means to meet that. It is stated that the most promising plan would be to have an insurance adjunct similar to that, for example, that some of the automobile clubs use. The thought behind the movement is that some company or syndicate can be formed that will insure home owners full coverage. Some of the real estate board officials declare that the rates on residences are too high and that in reality companies would be glad to get the business at a considerably lower rate were it not for the acquisition cost.

The National Association of Real Estate Boards will not find it an easy matter to secure a company that will attempt to eradicate entirely the agents. There are some 16,000 local real estate boards throughout the country. These agencies naturally would constitute the soliciting forces for membership. Most companies are tied up with their agency forces and would not dare make any contract for this direct business, however alluring it would be. It might be that a syndicate of mutuals could be secured that would take the business. Some officials have already been sounded as to their viewpoint but the big stumbling block is the agency system. A big majority of real estate men handle insurance, either as agents or brokers. Therefore any direct soliciting method through local real estate boards would come in conflict with

50-Year Aetna Veteran Retires

W. J. Tippery, who is retiring as assistant western manager of Aetna Fire, is a native of White Rock, Kan. He joined the old northwestern department of Aetna Fire at Omaha in January, 1891, as office boy. W. H. Wyman was manager of the department. Aetna at that time had two departments in the west, one located at Cincinnati and one at Omaha. Mr. Tippery passed through



W. J. TIPPERY

the various office desks becoming one of the chief examiners. He was sent to Fargo as state agent for North Dakota and northwest Minnesota.

The two departments of Aetna were combined with Thomas E. Gallagher as western general agent, and Mr. Tippery was shifted to Minneapolis in 1911, becoming state agent for Minnesota and North Dakota. In 1929 he was promoted to assistant western manager and located in Chicago. He is just recovering from a pneumonia siege of three weeks, this starting with "flu." He is now able to be at his office.

the members themselves. This would be a point that their national organization would have to solve.

The officials of the National Association of Real Estate Boards have kept in close touch with the government's attitude toward insurance and the feeling prevails in their councils that the rates on residential property are entirely too high and that the extra profit is used to fill up the gap made by losses of other kinds of property.

So far as can be learned the real estate project would offer members an extended cover policy if so desired or a combination of some of the hazards such as fire, tornado and hail. Then also it may be found desirable to get up a home owner's liability policy. This would extend the wings of the organization. The National Association of Real Estate Boards would offer insurance as one of the objects of membership. It would have other facilities which are being worked out.

Want War Damage Refund

Some of the officers of the National Association of Real Estate Boards are taking the position that there should be a refund at least of a major part of the premiums paid for war damage insurance. They declare that this is especially due those assured who were compelled to take war damage insurance because of mortgages on their property as the loan agencies required that war damage indemnity be secured. The realty people say that war damage insurance was a precautionary measure and since there have been but few claims the government should make a reasonable refund.

Hear Polish Alliance Case Jan. 7 in U. S. Supreme Court

Oral argument in hearing of the suit brought by Polish National Alliance of Chicago, based on Paul vs. Virginia, for injunction against the National Labor Relations Board to prevent organizing of its employees and the holding of an election to decide upon a bargaining agency, will be held Jan. 7 before the U.S. Supreme Court. Briefs were filed in this very important case about a week ago, according to President I. K. Rozmarek and Casimir Midowicz, general counsel.

This case came to a head about the time of the attack at Atlanta on fire insurance companies in the Southeastern Underwriters Association and is considered of equal importance.

Gist of Society's Contention

Polish National opposed the attempt to organize its employees, which was signaled by the filing of a complaint by the NLRB administrator. The society argued employees of fraternal societies did not fall within scope of the act and that there was not the required majority of employees behind the organization move. It lost the decision, however, and the circuit court of appeals held a fraternal was much like a mutual insurance company and was under the act by virtue of using the mails, telegraph and telephone, and because of having investments that were scattered throughout the nation.

The society's brief argues that the mere act of using the instrumentalities of commerce does not place it in the business of transacting interstate commerce so that it would be subject to NLRB and the act. The fraternal is essentially a non-profit medium and therefore not in commerce. If classed as doing an insurance business (one of the arguments advanced by the NLRB in proof of its being in commerce), the society's brief argued, Paul vs. Virginia still holds in view of the long established line of decisions and the fact that Congress amended the labor act without specifically including insurance. Insurance companies cannot be interpreted to be under the act until Congress specifically includes them, it was argued.

Notes Unintended Result

The Polish National Alliance brief holds that to render a decision that fraternal insurance is interstate commerce merely because it uses instrumentalities of interstate commerce, similarly would place in interstate commerce churches, universities and other non-profit, charitable and benevolent institutions which employ the same instrumentalities and perhaps have funds widely scattered in investments in many states. Thus all of these automatically would be placed under federal control, which the brief argues was not the intent of Congress. The sovereign power still rests with the states, the brief concludes, and Congress' power is purely one delegated by the people.

Eliel & Loeb Changes Are Made

The Eliel & Loeb agency of Chicago announces the advancement of three members of its executive staff and that Joseph G. Straus, formerly a broker with Fred S. James & Co., is joining Eliel & Loeb as a vice-president.

Samuel A. Graham, who has been with Eliel & Loeb more than 30 years and has been secretary, becomes a vice-president; R. F. Wandke, more than 25 years with the agency and lately assistant secretary, is appointed secretary.

Walter Trauten, manager of the engineering department, is named assistant secretary.

E. H. Forkel Heads National Fire Group in Western Branch

L. N. Bowen and C. L. Zook Have Been Appointed Assistant Managers

F. D. Layton, president National Fire group, announces that as of Jan. 1, Associate Manager Edwin H. Forkel is promoted to general manager of the western department in Chicago with top management responsibilities, assisted by Associate Manager L. Ross Hanawalt and Assistant Manager E. J. Silhanek. To aid in carrying on the efficiency of management, Agency Superintendents



E. H. FORKEL

L. N. Bowen and C. L. Zook have been promoted to assistant managers.

A graduate of the University of Chicago, Mr. Forkel entered the service of Royal in Chicago in 1924, later becoming assistant examiner. In 1925 he joined H. G. B. Alexander & Co., who then were United States managers of the Transcontinental of the National Fire group. With that company he was first an examiner and later a special agent traveling in Michigan, Ohio and Indiana. In January, 1929, the National took over the management of the Transcontinental on a direct basis, and at that time Mr. Forkel was transferred to the western department of the National Fire group. On Oct. 1, 1936, he was made agency superintendent; on April 1, 1938, assistant manager, and on July 1, 1939, associate manager. He has had a broad and all-round experience in all branches of the business. He is vice-chairman of the governing committee of the Western Underwriters Association, a member of the western regional advisory committee of the Factory Insurance Association, and a director of the National Automobile Underwriters Association representing the middle west.

Mr. Bowen is a native of Michigan, attended the University of Toronto and Michigan State College, after which he was employed by the Michigan Inspection Bureau for four years. For several years he engaged in company work in Michigan, first as engineer, then as special agent, and later as state agent. He joined National Fire in 1936 as Wayne county superintendent in Detroit. In 1940 he was appointed agency superintendent of the western department in Chicago.

(CONTINUED ON PAGE 32)

F.C.A.B. Gives Estimate of San Francisco Wind Loss

Following is the Fire Companies Adjustment Bureau's estimate of the insurance losses in the Dec. 8-9 windstorm in San Francisco and nearby counties: San Francisco, 500 claims averaging \$75 to \$100; Vallejo, 400, average \$60; Sacramento, 300 to 375, average \$30 to \$40; Oakland, 1,000, average \$75 to \$100, excluding several large losses yet to be determined; San Jose, 200, average \$40 to \$50; Stockton, 150 to 175, average about \$50. The storm also hit Ogden, Utah, resulting in about 200 claims averaging \$40 to \$50.

William F. Barton, retired general adjuster of the North British group, died Tuesday following a long illness. Mr. Barton served as general adjuster for 18 years prior to his retirement in 1936. He entered the employ of North British in 1912 and was appointed assistant general adjuster in 1918. He achieved an enviable record as an outstanding loss executive during his long tenure of office and was well known to agents and company men throughout the country.



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California Agents' Board Parley

Open Forum Plan Adopted for Cooperation with Other Groups

LOS ANGELES—Ralph E. Bach, San Diego, president California Association of Insurance Agents, at the initial directors' meeting inaugurated an entirely new procedure for board meetings. In addition to executive sessions the board met in open sessions with representatives of other insurance organizations in an informal round table manner, discussing items on an agenda based on problems submitted in advance by the various organizations. The discussions were outspoken and direct, resulting in the outlining of a constructive program for both the state and local association activities for the year.

Committee Chairmen

President Bach named standing committee chairmen as follows: Adherence to guiding principles, G. C. Appleton, Fresno; bulletin control, Ray Laughrey, Oakland; finance, C. M. Putnam, Oakland; legislative, H. H. Hendren, Sacramento; public relations, Wm. H. Menn, Los Angeles; research, Eugene Battles, Los Angeles; rural agents and farm, H. J. Thielen, Sacramento; sales promotion, John L. Kingsbury, Sacramento; representatives to associated insurance producers, C. W. Carpenter, Petaluma.

Special committee chairmen are: Automobile plan, William G. Glassick, Hollywood; 1944 convention, Ira D. Wheeler, Santa Monica; license lists, P. S. W. Ramsden, Oakland; army exchange insurance survey, P. S. W. Ramsden, Oakland.

Frank C. Colridge was reappointed executive secretary.

At the open session ways and means were considered of utilizing the National Automobile Club to greater advantage. Herbert Manners, general manager, pointed out that the club's membership was concentrated in the more populous centers. Its greatest problem is in the smaller communities where membership is meager. While the club is a successful and growing concern, it nevertheless needs the support of all agents, he declared.

Educational Worth Viewed

Four topics offered by the Special Agents Association of Northern-Central California were considered: Educational program for agents, public relations program, participation in Fire Prevention Week, and the insurance manual to assist agents taking the insurance department examination. Roy Scheller, San Francisco, urged attendance of office help at educational meetings. There should be a more general interest in regular programs. Joint meetings of contiguous associations are advantageous, he said. The manual was referred to a special committee headed by Ray C. Gillette, Swett & Crawford, San Francisco.

As public relations and the fire prevention are closely related, the consensus of opinion was that agents and their associations should take a prominent part in promoting both projects.

The Business Development Office's program to bring insurance before luncheon clubs and civic organizations was discussed. If permanent results are to be achieved along that line, the speakers sent have to be "four star" men, it was pointed out. Samuel L. Carpenter Jr., manager Pacific Board, and John P. Breckon, assistant director B.D.O., will collaborate in working out a speakers' bureau.

John Gurash, assistant manager American Surety, Los Angeles, reviewed the educational program for agents on behalf of the Casualty & Surety Fieldmen's Association of Southern California, of which he is president. All associations should get together and arrange details

Milwaukee Insurance Group Acts on 48-Hour Issue: Gathers General Facts

MILWAUKEE—A meeting of insurance employers of all types is being held Thursday afternoon in the auditorium of Northwestern Mutual Life to discuss the problem of the 48-hour week which has been decreed for Milwaukee effective Jan. 16. On Dec. 22, a small group of representatives of all branches of insurance met to discuss the effect of the 48-hour week order. It is the intention at the larger meeting to develop a presentation to be made in behalf of the insurance industry to the area director of the War Manpower Commission. It is desired that the WMC director be apprised of the employment facts of the insurance business so that he may act in an informed way on individual requests for exemption.

It is contemplated that a small committee will be nominated to meet with the WMC director. A questionnaire form was sent out in advance, identical to that which was prepared by the Chicago committee which is acting on the same problem. This questionnaire asks for the total number of full time employees, divided as between male and female on Jan. 1, 1942, and on any day in December, 1943, that may be selected. Also the number of part time employees now working, the present work week, the number of vacancies in regular positions, estimated number of married women who because of home duties would be exempt from working a longer work week; estimated number of employees who could be released on a work week of 40 hours, 42, 44 and 48.

Then the employer is asked to state what work week he believes best adapted to the needs of his business and finally he is asked to state in what manner he can contribute to relieve the manpower shortage.

Questionnaires when completed will be sent to William Ahrens, personnel director of Northwestern Mutual. James H. Daggett, vice-president of Old Line Life, is chairman of the Thursday afternoon meeting. Mr. Daggett and Edmund Fitzgerald, vice-president of Northwestern Mutual, attended the meeting of 250 insurance employers in Chicago last week to get the benefit of the experience that had been developed in that city.

of handling the educational programs so as to insure better and more uniform results, he declared.

President Bach offered some suggestions for making the sales promotion program more effective. Other topics included the new New York fire policy, Pacific Board activities, etc.

In addition to officers and directors of the state association and those mentioned, the round table session was attended by President Phil D. Ellithorpe, Fresno association; President Hal Harvard, San Jose association; Walter W. Robinson, vice-chairman B.D.O. committee, San Bernardino; President Howard Pratt, California Casualty Fieldmen's Association, Oakland; Secretary Ralph Winkler, Oakland association; President Myrl Ott, Long Beach association; President Willson Pierce, Jr., and W. B. Glassick, Insurance Exchange of Los Angeles; President Marshall W. Paxton, Vincent L. Kerans and Russell Robinson, Southern California Fire Underwriters Association, and Harry Perk, Jr., member of executive committee National association.

V. P. Stiglich, 27, first lieutenant and communications officer in the air transport command, was killed in action in India. He enlisted in April, 1942, previously for some time having been connected with Childs & Wood in Chicago, and before that with J. J. Hermann & Co. as investigator and adjuster. He was a graduate of De Paul University and a member of the Illinois bar. Memorial services will be held Sunday in St. Mary's Church, Park Ridge, where his parents live.

Fire Department Instructors Parley at Memphis

The annual Fire Department Instructors Conference is scheduled to be held at Memphis, Jan. 11-14. It is under the auspices jointly of the fire prevention department of the Western Actuarial Bureau and the Memphis fire department. R. E. Vernor, head of the W. A. B. fire prevention department, is in general charge and secretary of the conference is E. T. Cox, Mr. Vernor's assistant, who replaces the late J. Burr Taylor.

Among those identified with the insurance business who are featured on the program are Commissioner McCormack, Tennessee, who will extend greetings; E. T. Holman, superintendent engineering department Tennessee Inspection Bureau; C. R. Welborn, Underwriters Laboratories; State Fire Marshal John H. Craig of Illinois; Dr. R. C. Steinmetz, Mill Mutual Fire Prevention Bureau; George Tatnall, engineer National Board; W. K. Grant, Louisiana Rating Bureau; J. L. Thompson, assistant manager Kentucky Actuarial Bureau; Harry K. Rogers, Western Actuarial Bureau; John Strohman, Iowa fire marshal; George H. Anderson, assistant Illinois state fire marshal; G. T. Cook, assistant chief fire prevention section Office of Chief of Engineers, who in civilian life is a National Board engineer at Chicago; Col. Carl E. Richmond, chief fire prevention branch internal security division Office of Provost Marshal General, who in private life is connected with the factory mutuals.

Carry Forward Debate on U. & O. Expediting Expense with Coinsurance Clause

In connection with the current discussion of the treatment of expediting expense in relation to coinsurance under U. & O. a "subscriber" writes:

"The subscriber quoted in your issue of Dec. 16 (page 18) bases his conclusions on all of the familiar uniform U. & O. forms, to answer your correspondent in the Dec. 23 number.

"To quote from the coinsurance or contribution form:

"Contribution Clause: . . . this company shall be liable, in event of loss, for no greater proportion thereof than the amount hereby covered under each respective item, bears to,

"(a) Under Item 1 . . . % of the sum of the annual net profits and the annual charges and other expenses (except expense of heat, light and power and expense incurred for purpose of reducing any loss under this policy), etc."

"The old per diem form includes a so-called item numbered III as follows:

"III. Such expenses as are necessarily incurred for the purpose of reducing the loss under this policy for not exceeding, however, the amount by which the loss covered is thereby reduced."

"While the partial suspension clause (and it must be borne in mind that coinsurance has to do only with partial loss or partial suspension), clearly states:

"Partial Suspension Clause: The per diem liability of this company under Items I and II of this policy during the time of a partial suspension of business shall be limited to the 'Actual Loss Sustained' by the insured, not exceeding that proportion of the per diem liability under said items that would have been incurred by this company by a total suspension, etc."

"If the two contributors who insist that expediting expense which reduces the loss is subject to coinsurance, then at the inception of the policy how would they estimate the amount of such expense in order to include it in the U. & O. value so as to comply with coinsurance requirements?"

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1944



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Big Xmas Party in Kansas City

About 60 attended the annual Christmas party of the Heart of America Blue Goose Monday in Kansas City. Walter Chesnut, retiring regional manager of Western Adjustment; Timothy Hopkins, eight years special representative of Underwriters Service in Kansas, Missouri, Nebraska and part of Iowa, and George R. Peterson, state agent in western Missouri for Aetna Fire, were honored.

W. B. Winchell, state agent of North British, presented Mr. Chesnut a fine pipe on behalf of the pond, and Frank Jacks, manager of Underwriters Adjusting; Firman B. White, state agent Royal Exchange, and Ralph Truman of the National Board paid tribute to Mr. Chesnut and his long career in insurance, which began in 1919.

Mr. Hopkins is going with Phoenix of Hartford Jan. 1. He will spend some time in Chicago and in the home office before being assigned to a field position. Mr. Peterson is scheduled to go to Detroit for Aetna Fire, to replace Harry M. Mountain, formerly state agent in western Missouri, who becomes assistant western manager.

Charles M. Mills, special agent for North British, who was to report Monday at Fort Leavenworth for army service, was unable to attend the luncheon.

Capt. C. J. Nelson of the army air force, brother of Andrew Nelson of New York Underwriters, and G. F. Groover, south Texas representative of Bruce Dodson & Co., were guests. G. H. DeVries, New York Underwriters, m. l. g., presided.

E. H. Doane, Jr., of W.S.R.A. Joins U. S. A. at St. Louis

Ellis H. Doane, Jr., has joined Underwriters Service Association as special agent with headquarters in St. Louis. He takes the place of T. E. Hopkins, whose headquarters have been in Kansas City and who is going with Phoenix of Hartford. At one time Mr. Hopkins was traveling representative for the National Fire Protection Association.

Mr. Doane has been with Western Sprinkled Risk Association for several years. He was resident inspector at Cleveland and then about a year and a half ago was transferred to Philadelphia as Pennsylvania representative. He is a graduate of Armour Institute of Technology.

Stewart Resident Manager in Los Angeles

H. M. Dinsmore, Pacific Coast manager of Millers National, announced appointment of H. R. Stewart as resident manager of the Los Angeles office. He succeeds S. K. Williams.

Mr. Stewart has been manager of the fire department and field representative in Canadian Fire's Los Angeles office for 7½ years and prior to that was for four years a local agent, associated with his father in Santa Barbara; three years as special agent for General of Seattle in southern California; 1½ years with Globe Indemnity in Los Angeles territory. He is a graduate of University of Oregon.

Larkins Heads Inspection Project

MILWAUKEE — Thomas Larkins, special agent Hartford Fire, is head of the committee coordinating the work of plant inspections in the state through the Wisconsin State Council of Defense cooperating with the war department. Experienced inspectors, field men and engineers provided by the fire insurance companies, will inspect 200 Wisconsin

NEWS OF FIELD MEN

industrial plants that are not covered by war department inspectors.

Del.-Md. Officers Reelected

BALTIMORE—At the annual meeting of the Delaware-Maryland Fire Insurance Field Club here the officers were reelected. A. E. Duncan, Jr., is president; G. Edgar Kohlepp, vice-president and secretary, and Samuel E. Rogers, treasurer.

Stanton to Navy; Noll Named

Henry E. Stanton, special agent of Fireman's Fund in western Massachusetts, has been commissioned a lieutenant (j.g.) in the navy. During his absence, his field will be supervised by T. H. Noll, one of the special agents in the Boston area.

R. Marvin Stuart, Palo Alto, Cal., spoke at the San Francisco Blue Goose Christmas party.

The Seattle Blue Goose held its annual Christmas hi-jinx with Bruce Parker, most loyal gander, as master of ceremonies. Five goslings were elected to membership and will be initiated at the semi-annual meeting Jan. 31.

T. Ray Phillips, Oklahoma state agent America Fore group, has been appointed managing editor of "Ripples," a mimeographed news bulletin to be published by the Oklahoma Blue Goose. The bulletin will also be sent to all members serving in the armed forces. Bill Butler, chief boatswain mate in the Seabees, was special guest. He has been serving in the Solomon Islands.

The Sunflower Blue Goose puddle met in Wichita Monday to arrange a barbecue party for the auxiliary Jan. 15. Fresh bear and moose meat will be furnished by C. C. Crow, manager of the Underwriters Adjusting, a former big toad of the puddle. He secured the game in the north woods of Canada earlier in the fall.

COMPANIES

First National Capital Is Increased to \$1,000,000

Capital stock of First National of Seattle has been increased from \$500,000 to \$1,000,000 as of Dec. 1.

At the same time the capital of the affiliated General Casualty of Seattle was increased from \$1,000,000 to \$1,200,000.

Lincoln Fire Becomes American Fidelity Fire

About 70% of the outstanding common stock of Lincoln Fire of New York

has now been acquired by American Fidelity & Casualty of Richmond, Va., at \$5 a share. Offers for the rest on the same terms will remain open for a few days. The name of the company has been changed to American Fidelity Fire. It will be operated as a companion to American Fidelity & Casualty. Writings will be confined to automobile and allied auto coverages.

NEW YORK

G. R. MICHELSEN REELECTED

G. R. Michelsen, Hall & Henshaw, was reelected chairman of the Insurance Section, New York Board of Trade, at its annual meeting. Following the meeting, the executive committee was host at a reception attended by a large number of members and friends.

W. F. Beyer, vice-president and secretary of Home, was elected vice-chairman, and H. W. Schaefer, president H. W. Schaefer Co., was named representative on the directorate. G. A. Buckingham was reelected secretary-treasurer.

J. R. Garrett, manager eastern accident and health department National Casualty, is a new member of the executive committee. Other members, in addition to those previously named, are R. S. Choate, American Automobile, previously vice-chairman; R. V. Goodwin, Fireman's Fund Indemnity, previously representative on directorate; E. M. Allen, National Surety; A. N. Butler, Corroon & Reynolds; G. W. Crist, Jr., Fidelity & Deposit; F. N. Dull, Continental Casualty; T. L. Haff, European General Reinsurance; J. E. Lewis, Aetna Casualty; J. J. Magrath, Chubb & Son; S. D. McComb, Marine Office of America; H. A. McKay, Travelers; W. E. McKell, New York Casualty.

McGONAGLE IS FETED

Roy E. McGonagle, manager of the eastern office of Western Sprinkled Risk Association, was tendered a luncheon in New York by members of the eastern risk committee of W.S.R.A. He was presented with an engrossed scroll. The W.S.R.A. is being taken over by the Factory Association.

Mr. McGonagle has maintained his residence in Chicago ever since being located in the east. Last Friday while he was home in Chicago for the holidays, he suffered an attack of illness and was taken to Passavant hospital where he remained until Monday. Mr. McGonagle intends to become connected with the Factory Insurance Association but his exact place has not been determined.

The Insurance Women of New York enjoyed their Christmas cocktail party with 60 present.

We take pleasure in announcing that

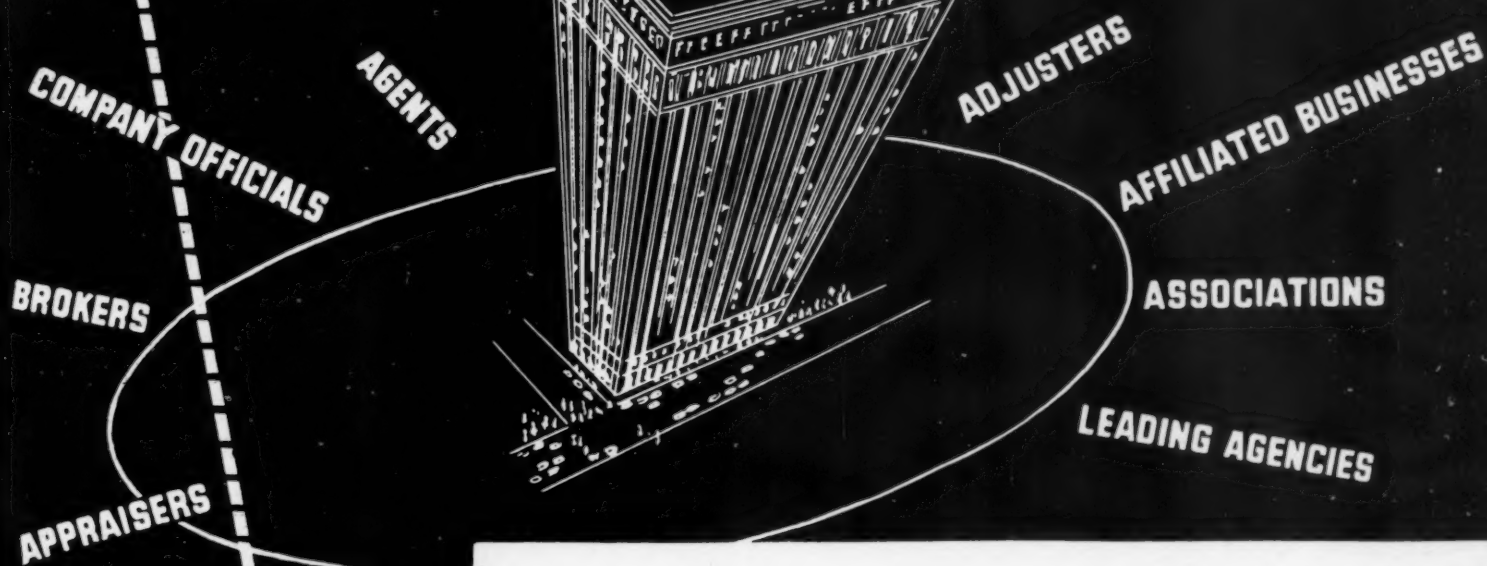
WILLIAM C. WIGAND
HAROLD W. GIFF
KYLE E. SIMPSON
LESLIE J. CARPENTER

—connected with this office for many years and heretofore associate partners, will be admitted to general partnership as of January 1st, Nineteen Hundred and Forty-four.

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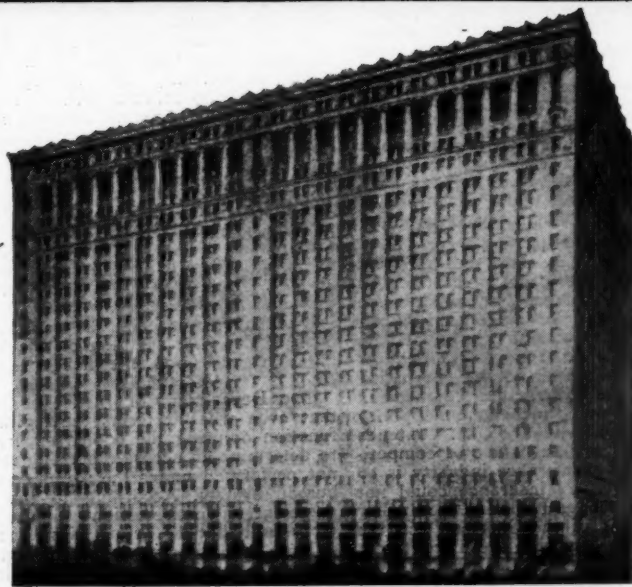
Here, at the world's busiest insurance corner, you get convenience—tremendous saving in time, larger income or profit due to closer personal contacts with thousands of other insurance people located under the same roof with you.

Think of these advantages—nowhere else in the country will you find so vast a centralization of insurance and allied organizations! And, remember too, that insurance offices now in the Insurance Exchange Building write more than 90% of the premiums of fire, casualty and allied insurance lines produced in metropolitan Chicago.

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1854

The Connecticut
Fire Insurance Co., Hartford, Conn.
1850

FOUTABLE
Fire & Marine Insurance Company
PROVIDENCE, R.I.
1859

ATLANTIC FIRE INSURANCE CO.
Raleigh, North Carolina

THE CENTRAL STATES FIRE INS. CO.
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GREAT EASTERN FIRE INSURANCE CO.
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Property Insurance including
Ocean and Inland Marine
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TIME TRIED & FIRE TESTED

Biddle Files Brief of 142 Pages in S.E.U.A. Case

(CONTINUED FROM PAGE 2)

insurance cannot be regarded as consisting either of isolated or local events. The fire insurance business would not exist in its present magnified form . . . if it were not for the continuous use of channels of interstate commerce for the transmission of instructions, information, papers and money.

The oft repeated remark that "insurance is not commerce," according to the brief, is inconsistent with many other decisions of the Supreme Court, is contrary to the historical meaning of the commerce clause and is not in accord with present understanding.

The brief argues that Paul vs. Virginia and the subsequent cases apparently conceived of "commerce" as consisting only of the sale and shipment of tangible commodities. The usage of recent years, the brief states, as well as that of the past, shows that insurance is a part of the business and hence the commercial world. Except in cases in which it was concerned with the argument that state taxes on and regulations of insurance contravened the commerce clause, the Supreme Court, according to the brief, has referred to insurance in a way which indicates clearly that it is regarded as a part of commerce.

Close Economic Relations

The brief goes on to argue that even if the fire insurance business is not both commerce and interstate commerce, regulation of the business under the commerce clause would still be lawful because of the close economic relations between fire insurance and activities which are unquestionably interstate.

The companies in the S.E.U.A. case are charged with entering upon a combination to refuse to furnish insurance to persons who fail to deal with them exclusively and to agree to eliminate all rate competition, the brief states. This is the type of conduct which the Sherman act has been held to forbid when interstate commerce is restrained or monopolized, irrespective of whether the defendants are themselves engaged in such commerce. The brief states that the insurance business is a great national industry in every sense of the word. The life insurance end of the

business is mentioned at this point, the statement being made that the premium income of life companies in 1941 amounted to \$4 billion and the total assets were nearly \$33 billion and their operations are carried on almost entirely through the channels of interstate commerce. The court's treatment of the Sherman act as going to the limits of the commerce power is fully supported by the act's legislative history, the brief states.

The S.E.U.A., the brief states, argued that Congress in 1890 intended that the Sherman act not apply to the insurance business and that its action or inaction since then reflects a continuing intention to the same effect. The Department of Justice expresses the belief that Congress did not mean its awareness of the court's decisions prior to 1890 to have the effect of incorporating them by reference into the permanent content of the Sherman act.

COURT'S INFLUENCE

The Department of Justice states that it was only the compulsion of the decisions of the Supreme Court, rather than any intention on the part of Congress, which had prevented the antitrust laws from being applied to insurance.

Cites Marine Exemption

The brief refers to the clause in the 1920 merchant marine act relaxing the restrictions of the anti-trust laws insofar as marine insurance is concerned. This, however, did not constitute a complete exemption from the anti-trust laws. It merely provided that marine underwriters should be assured of the legality of combinations and associations designed to facilitate reinsurance or to extend underwriting activities to foreign countries. It was indicated at that time, the brief states, the Congress did not regard itself as committed to the proposition that the anti-trust laws could not apply to the insurance business. At the time of the passage of the Sherman act, the brief states, there was awareness of the doctrine of the insurance cases and of its probable effect upon the interpretation of the Sherman act, but nothing more. "Indeed," the brief states, "in the political climate of the time any intention to exempt the insurance trust except under the compulsion of judicial decision would have been remarkable."

Court's Color Changes

"Nor does the fact that for many years no anti-trust cases were brought against insurance companies show that Paul vs. Virginia was regarded by the Department of Justice as having been incorporated into the Sherman act. The institution of suits would have been futile until there was reason to believe that the court no longer would adhere to the pronouncement that 'insurance is not commerce.'" The barrier to application of the Sherman act to the insurance business has been erected by the judiciary, not the legislative nor the executive, and since it rests upon constitutional doctrine only the judiciary can remove it, the brief states.

The brief states that the S.E.U.A. argues that an exception should be read into the Sherman act for insurance on the theory that free competition among insurance companies is detrimental to the public interest. It is for the legislature, the brief states, not for the judiciary to determine whether competition or combination is the economic policy to be adopted. The S.E.U.A. contends that the uneconomic nature of competition in the fire insurance industry is so axiomatic that fire insurance could not have been intended to be included under the provisions of the Sherman act, the brief states. However, the Department of Justice states that this was not the view of the representatives in 1890 when the Sherman act was passed. It goes on

to argue that it would not be unreasonable to subject the fire insurance industry to the anti-trust laws.

It is claimed, the brief states, that there is no place for competition in fixing of rates because the premium rate is based on the burning rate or incidence of loss, which is a scientific probability which can be accurately measured. It is argued there can only be one correct rate for a given risk, that the insurers must be allowed to get together to pool their experience in order to determine scientifically the probability of loss and that they should cooperate in inspecting properties for rating purposes. Assuming all this to be true, the Department of Justice states that a cooperative statistical venture truly designed to accomplish only the purpose of providing a scientific basis for the rate structure would not be an unreasonable restraint of trade. Also the rating bureau system "which is sought to be defended through the appeal to science is not engaged in the function of ascertaining the statistical probability of loss."

The Department of Justice states there is a large area in which insurers may cooperate on matters of joint interest which do not extend to the fixing of rates such as joint action for more adequate supervision of risks, study of hazards and reduction of incendiaryism. Nor is there any prohibition in the Sherman act against exchange of experience by companies and their cooperation in classification and evaluation of this experience and compilation of statistical data therefrom.

"It may be highly desirable for the loss experience of fire insurance companies to be pooled and analyzed in order that the scientific basis of the industry may approach the accuracy of life insurance," the brief states. "A legitimate function of a joint bureau, such as the present rating bureaus, may well be the formation of burning tables, similar to the mortality tables of life insurance . . . It may also be conceded as desirable to have such joint bureaus inspect and classify risks, both to reduce costs and to get more uniform data for scientific rating of hazards. Classification of the risk . . . would not mean, however, that the price charged for insuring it would necessarily be the same for all companies."

Loss Factor in Rate

The Department of Justice contends that the only factor in the rate that is not subject to the control of the individual company is the amount necessary to pay losses. The most scientific determination of the burning rate would not mean that the expenses of all companies are or should be the same, much less their profits.

In life insurance while most of the companies base their rates on the same tables of mortality they modify these tables in use to conform with their own experience, use different interest rates, and different factors for administrative expense and come out in the end with different rates, the brief declares. The fire insurance rating bureaus, the Department of Justice states, do not determine, on a statistical basis or otherwise the amount necessary to pay losses but fix the final premium charged to the insured. There is a great deal of room for free play between the burning rate and the final premium. The S.E.U.A. is charged not with agreeing on the burning rate but upon the final premium rate.

The Department of Justice contends that even what it terms the legitimate function of using the pooled experience to determine an accurate burning rate is not performed under the present rating bureau system. According to the Department of Justice writers on the subject admit that the actual fixing of rates is based on arbitrary judgment and has no statistical foundation in experience. The data necessary for an objective analysis of loss experience, according to

Property Facts Will Help..



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Company

CONSULTANTS IN PROPERTY ECONOMICS

the brief, are not available and are not being collected. The base rate, according to the brief, represents an arbitrary exercise of judgment. The facts . . . do not show that the price of fire insurance is determined by such scientific methods as to justify removing it from the checks and balances of competitive forces sought to be safeguarded by the Sherman act. The Department of Justice contends that if the companies are required to compete they will not inevitably be driven to cutting rates to individual purchasers in order to get business. The brief states the department stores on the same block compete with each as a matter of business policy but charge their own customers the same prices.

The argument is made by the opposition, the brief states, that rate competition would favor the more powerful customers who could bargain for lower rates to the detriment of the little fellow. According to the brief, the present system has resulted in establishing just this sort of rate discrimination. The contention is advanced that competition of the companies is incompatible with financial stability. It may be, the Department of Justice stated, that completely unrestricted competition would be harmful to the public but application of the Sherman act to the insurance business does not pose any such black or white problem. The evils of excessive competition could be avoided by lawful means less drastic than the complete elimination of competition in rates. A system for the cooperative establishment of burning rates would remedy many of the evils feared by the S.E.U.A. without running afoul of the anti-trust law. If the fixing of premium rates by the present bureaus were held to be unlawful, rating bureaus might still remain in existence in order to perform the functions of inspecting and evaluating risks and of establishing burning rates—on overall experience basis.

Refers to London Lloyds

Reference is made to London Lloyds where, according to the Department of Justice, brokers move freely from one underwriter to another in order to obtain the best proposition. There is also rate competition in life insurance. The economic problem, according to the brief, is not as to the effect of requiring insurers to operate in a completely free and unrestrained competitive market but as to the application of a prohibition against unreasonable restraints of trade in a setting in which the activities of the company are already to a large extent lawfully confined.

According to the brief, a decision that insurance is commerce within the meaning of the commerce clause would not in itself invalidate the state taxing and regulatory statutes. State laws could not, of course, stand to the extent that they are inconsistent with a valid federal statute. The contention that application of the Sherman act to fire insurance would nullify the state regulatory systems is not a relevant consideration, the Department of Justice states. The department states that the arguments advanced by the S.E.U.A. as to why competition is undesirable and the state statutes upon which they rely, are concerned only with competition in the fixing of rates and none purport to justify or protect the coercive tactics with which the S.E.U.A. companies are charged.

"No one so far as we know has advocated that such boycotts as are alleged in this case directed at uncooperative companies and agents and purchasers who deal with them should be any more legitimate in the insurance industry than any other."

Tries to Establish Title

Though ably written, the government's brief cannot conceal the glaring fact that the whole prosecution is an attempt of the executive branch of the government to legislate on its own hook rather than letting congress exercise its prerogative of saying what shall and shall not be regulated. The brief attempts to use the same sort of argu-

ment that would be used in establishing title to a piece of land. It goes back into history and tries to piece together successive links to make a sort of chain of title to support its contention that the Sherman act applies to the insurance business, ignoring the fact that each of the government's present contentions has already been turned down by the Supreme Court.

The brief brushes aside the fact that there is more to this case than historical precedents and that as a practical matter there has grown up, based on state legislation and Supreme Court decisions, a complete system of regulation tailor-

made to suit the needs of the public and the insurance business that has been evolved by trial and error, through a long and arduous process. It glosses over the fact that application of the Sherman act, which is a negative type of statute applying to industry generally, would throw this regulatory system badly if not completely out of gear with serious consequences not merely to the insurance companies but to the insuring public.

The Justice Department's attitude on this point is well shown by the heading of section G of its brief: "The insurance industry should be subject to federal

regulatory power." Actually the Sherman act is not a regulatory act at all. It merely prohibits certain types of activity in interstate commerce.

Charles H. Coates, retired vice-president of National Liberty, who has been very ill with pneumonia, is now recuperating at the Morgan Ten Eyck hotel in St. Petersburg, Fla.

L. F. Hawley, vice-president of Newhouse & Sayre's Chicago office, has returned from a visit of two weeks to the head office in New York.



"Why did you buy this life insurance?"

THE president of a well-known oil company, salary \$35,000 per year, called in his insurance broker to cancel a large portion of his life insurance because taxes and salary ceilings made the payment of premiums too difficult.

When the situation had been explained, the broker asked, "Why did you buy this life insurance?"

The answer was, "To give my family an income if I should die, and to have some income when I retire."

The broker then said, "Mr. Blank, you have here a guaranteed income to your wife of \$1,000 per month if you die, and \$500 per month to you at 65. If you cancel this insurance you will have to have \$400,000 of property paying 3% guaranteed interest, to do the same job for your family. Do you mind telling me

frankly if you have that much money?"

"No, not more than one-quarter of that amount."

"Can you save it in the next ten or twenty years?"

"No, of course not. Taxes will not allow me."

"Then your only alternative is to keep this life insurance in force, and make \$1.00 do the work of \$2.66 in other types of property, assuming a 3% average income."

The executive compromised: part of the premium was paid from income, and part through liquidation of other investments. He had come to realize that life insurance is *property*, just as much as oil lands, real estate, stocks or bonds; but, more than that, it provides what no other property provides . . . an accelerated maturity clause in case of death.

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Life Insurance Company of Boston

George Willard Smith, President

Agencies in Principal Cities Coast to Coast

THE FIRST MUTUAL LIFE INSURANCE COMPANY CHARTERED IN AMERICA—1835



New York Report on Factory Mutuals

(CONTINUED FROM PAGE 1)

fice so that it can be readily reviewed and better reflect conditions in making base rates. Observing that the Manufacturers Mutual has developed a statistical code the report states that "it may be that all companies could adopt this for the sake of uniformity."

6. Extra absorptions. Substandard risks are insurable in the Factory Mutuals only in limited amounts and on properties owned by concerns having sprinklered risks already insured with the Factory Mutuals and whose insurance will presently be so placed. Risks of essentially different hazards from the regular class or with additional forms of coverage may be charged with an "extra absorption" of the deposit premium. Premium deposits are keyed roughly to produce a rate level for regular or standard business out of which the companies expect to return about 90% at the expiration of one year after considering interest and other income (including extra absorptions) and proportionately lower percentages of return on policies of longer duration, for example, approximately 75% after three years.

"The question of the handling of substandard business and the charging of

extra absorptions for this class appears to be a problem to the companies which apparently has not been satisfactorily solved to date," the report states. "It appears that the term 'sub-standard,' 'special hazards,' and 'general line business' are used interchangeably. In some cases the term 'special hazard' applied to such coverages as riot and civil commotion, war damage, malicious mischief, etc."

Applied at Termination

Extra absorption charges are determined at the inception and charges are applied at the termination of the policy. The extra absorptions are in many cases on judgment as applied to each individual risk and the cost of reinsuring the business in the outside market. The report includes an illustration which shows that the amount of income from extra absorption is a comparatively high percentage in relation to the other principal component parts of the net cost factors. In the example given the extra absorption was 19% of the total of losses and expenses, 38% of the losses and equal to 35% of the regular absorption. A spot check indicated that approximately 38% of the risks written by

Manufacturers Mutual had some extra absorptions on a portion or all of the business but usually on a relatively small portion.

The collection of extra absorption charges is a deduction from the regular dividend for the purposes of producing a higher net rate without the necessity of increasing the already large original premium deposit which applies on the regular or normal classes of risks. The report, however, states that in practice the extra absorption is in reality a net premium determined at inception of the policy period and charged at expiration for hazards not otherwise contemplated under the standard rates of premium deposits to which the regular dividend rates apply.

THEORY INCONSISTENT

"If these extra absorptions are to be considered as net premiums, this theory is not consistent with the general plan of operations of the Factory Mutuals," the report states. "Nevertheless it would be possible to file rates on a nonparticipating basis at least for special classes of risks and for additional supplemental coverages. The combination of deposit rates and extra absorptions for the same risk merely to measure substandard conditions does not conform to any logical orderly system of insurance rating. Incidentally it should be noted that extra absorptions may be a source of either profit or loss to regular risks written at standard deposit rates. No analysis was obtained to show such results.

Complicate Bookkeeping

"These extra absorption charges complicate the bookkeeping of the companies and the company executives admit that they wish some simpler method could be found which would meet the requirement of providing sufficient income for the payment of the expected losses and expenses and be satisfactory to policyholders. Experience has shown that if the original deposit rate is increased sufficiently to furnish sufficient net premium without extra absorptions at the regular rates of dividends the policyholders object to making the additional deposit required and the companies lose not only the substandard business but the so-called standard or good business that goes with it. Therefore as a practical matter the companies have adopted this system until such time as it has gathered sufficient experience to warrant them handling it on some different basis such as paying different rates of dividends for different classes of risks, but even this method, the companies fear, might run into difficulties in certain states.

"Although intended to provide equitable distributions of costs with respect to various types and classes of risks otherwise than solely through deposit rates the situation has grown into a confused procedure. It is strongly recommended that some orderly treatment be developed under a plan consistent with normal rating procedure.

Inherent Difficulties

"The inherent difficulties out of a natural reluctance to increase an already high rate of premium deposit roughly calculated to maintain a return dividend of approximately 90% on an annual basis. It may be that the fundamental relativities should be reconsidered in the light of modern developments and practices elsewhere in the insurance business. With full protection of surplus reserve funds through catastrophe reinsurance it would be possible to charge advance premiums more closely related to expected costs and pay moderate rates of dividends."

No Difference in Premium Deposit

The premium deposit is the same whether the term of the policy is one, three or five years except for substandard business written for a long term. Each premium deposit is charged with its prorata share of all expenses, losses and reserves and in some cases extra

absorption, and is then credited with its prorata share of all investment income. The unused or unabsorbed balance of the initial premium deposit is returned to the policyholder in accordance with declarations by the boards of directors.

If the expiring insurance is renewed the return is credited against the premium deposit required for the renewal insurance. The company that solicits the line handles all the details involved, issuing the policy, computing the rates and collecting the premiums. It reinsures with the other companies. The amount retained is decided by the placing company and the balance is reinsured in other Factory Mutual companies. In some cases on the smaller risks no portion is reinsured. The average risks in the Factory Mutual companies is well over \$1,000,000. The minimum deposit from any assured is required to be \$1,000.

Reporting Forms

Reporting forms are usually issued to cover stock and supplies only. Some forms have been issued covering both contents and stock and supplies. Other forms have been issued covering buildings and contents with stock and supplies on a reporting basis. Some reporting forms have been issued covering blanket property of the assured located anywhere in the United States and Canada, usually with a limit of liability on any unreported location.

Values of property insured in the Factory Mutuals are based on appraisals of the appraisal division or the assured's appraisal or the company underwriter's judgment based on experience of other risks. The appraisal division during 1941 made 667 appraisals out of a total of about 10,000 risks. During the last 10 years 5,853 appraisals were made out of an average of 8,800 risks.

The appraisal department maintains experience statistics for 52 classes of risks which are based on the actual appraisal of risks, cost of replacing, and accumulated depreciation of the classes. This data is revised every three years and is set up in a manual or handbook, used by underwriters in determining values where the latter are to be based on the area and class of property to be insured. The manual is regarded as confidential information.

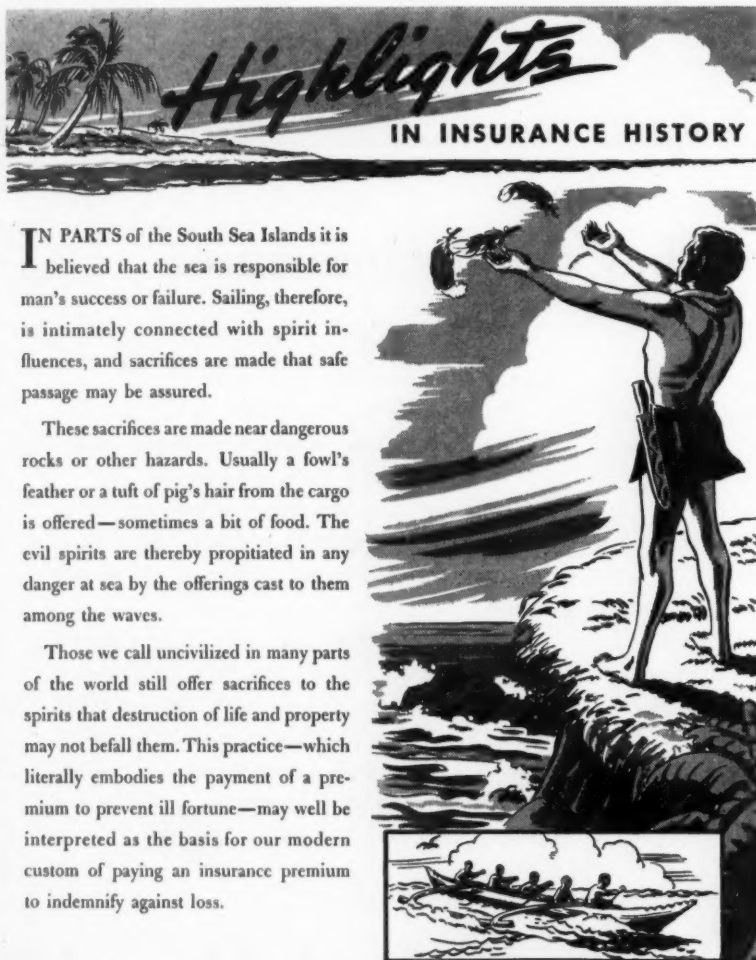
INSURANCE TO VALUE

Though there is usually no coinsurance requirement the companies have set as a standard for the relationship of insurance to value the following percentages: stocks and supplies written separately 90% to 100%; combustible buildings and contents, about 90%; noncombustible buildings with more or less combustible contents, about 80% of building value and about 90% of contents to value; noncombustible buildings with practically all noncombustible contents, about 80% of value. These limits are not absolutely fixed because values shift from day to day but an effort is made to keep the ratio of insurance to value in line, according to the report. The Factory Mutuals believe that under their system they have developed a method of securing proper values therefore do not consider a coinsurance requirement necessary.

Dividend Example

Using the Manufacturers Mutual as an example, the report shows the percentage, on the average, returned as a dividend at the end of a one-year policy and a three-year policy, from 1920 to 1941. On one-year policies the dividends ranged from 91.3% in 1920 to as high as 94.7% in 1931. Incidentally, the latest year shown, 1941, was the lowest of any year since 1920, having been 81.4%. For three-year policies the range was from a low of 66.3% in 1920 to 84.2% in 1931. The 1941 figure was 77.1%.

"This indicates that even on three-year policies there is no necessity for the companies requiring such large deposit



Highlights
IN INSURANCE HISTORY

IN PARTS of the South Sea Islands it is believed that the sea is responsible for man's success or failure. Sailing, therefore, is intimately connected with spirit influences, and sacrifices are made that safe passage may be assured.

These sacrifices are made near dangerous rocks or other hazards. Usually a fowl's feather or a tuft of pig's hair from the cargo is offered—sometimes a bit of food. The evil spirits are thereby propitiated in any danger at sea by the offerings cast to them among the waves.

Those we call uncivilized in many parts of the world still offer sacrifices to the spirits that destruction of life and property may not befall them. This practice—which literally embodies the payment of a premium to prevent ill fortune—may well be interpreted as the basis for our modern custom of paying an insurance premium to indemnify against loss.

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premiums, except from the standpoint of underwriting capacity," the report states. "The companies apparently have recognized this fact and are now in the process of reducing the rates with the purpose in mind of reducing the deposit premium and increasing the absorbed premium. The plan is that the policyholder will be asked for a smaller deposit and get back a smaller dividend at expiration, the net cost, however remaining the same in cents per \$100 of insurance."

The unabsorbed premium or the amount to be credited to the assured at termination is computed on a monthly basis. The companies set aside for reserve a small amount of the premium deposit in good years to take care of poor years and thus prevent undue fluctuation in the rate of return of unabsorbed premium deposits. This is either done by injecting a factor in the monthly computations made for each risk or by the directors when they decide the rates of return of unabsorbed premium deposit. The monthly computations of the various Factory Mutual companies will produce different results, depending upon each company's loss and expense and investment income experience. Not all of the companies share proportionately in each risk with the result that loss experience varies with companies.

Deposit Premium Rate

The report gives two examples of how the deposit premium rate is derived at. In the first the information used for rating is taken from the plan of the risk which the company has made up and from the inspection report. This risk is in the electrical class and the base rate according to the schedule is .41 for standard mill construction and .51 for boards-on-joist construction. Located in zone 2, there is a deduction of .02 for wind differential. Ninety percent of the plan is standard mill construction with an average of 2 stories and 10% is boards-on-joist with an average of 1½ stories. For the 90% standard mill construction the rate of .41 (.39 plus 2c for extra story) gives a factor of .369 to be used in the weighted average. The 10% boards-on-joist construction at .51 (.49 plus 2c for extra half-story) gives .051, which added to .369 gives .42. Added to this is a susceptibility factor due to deficiencies, etc., inside valve controls, exposure, lack of oven safeguards, sprinklers needed, etc. which amount to .13 giving a total building and contents deposit premium rate of .55.

VILLAGE RISKS

The other example is of miscellaneous village property of sub-standard class which is part of a large risk. There are five dwellings which take a \$1.50 rate. There is also a filling station which is given a basic rate of .60 plus .10 for wooden walls and another .10 for susceptibility giving a total rate of .80 to which is added 5% per month extra absorption for lack of sprinklers. The remainder of this example is a store and dwelling building, wooden, two stories, which is charged \$1.50 rate plus 1½% per month extra absorption for lack of sprinklers in the store.

The report points out that in rating this property the rate manual or schedule does not provide a rate for filling stations, for a store and dwelling combination, or for extra absorptions as charged, the rating of these portions of the risk being based entirely on the underwriter's judgment. In analyzing a number of risks located in New York, the report states that in a few instances where the schedule does not provide for a rate, judgment was used by the underwriter in arriving at a rate. Some of these cases were as follows:

1. A judgment rate of 58c was used for a paper storage house. This was explained as being "the nearest rate to the class."

2. On this case the original deposit

premium rate of 60c plus 5% extra monthly absorption was increased to 76c plus 5% extra absorption to cover cost of reinsuring the risk 100%.

3. For a dry cleaning establishment a rate of \$1.50 covering property (wearing apparel) belonging to customers was used. It is a judgment rate based on the fire hazard where inflammable fluid was used. An extra absorption of 1½% a month was charged because of poor construction and condition of building on this risk.

Judgment Exercised

4. A rate of 60c was used for this machine shop, no record of how it was originally developed. It was justified by using a base rate of 36c plus 10c for scant water supply plus 14c for susceptibility to equal 60c. "This indicates how simple it is to justify any rate by using a susceptibility balancing factor," the report states. An extra absorption of 1½% per month covering patterns in buildings listed was charged on this risk.

Policies are usually issued at blanket building and contents rates. In some cases buildings and contents are written at different rates. Some policies have been issued covering property located everywhere in the United States without listing all the locations at an arbitrary blanket rate. This type of policy usually has a prorata distribution or a coinsurance clause.

Chicago Insurance Employees Exceed 15,000

The Chicago insurance committee dealing with problems involved in the 48 hour week order are busy this week tabulating the results of the questionnaires which insurance employers were asked to complete. While several large offices have not yet reported, it is estimated that the number of salaried employees in Chicago insurance offices employing 8 or more persons exceeds 15,000. Most of the offices are presently working less than 40 hours and nearly all of those responding say they could not release any employees with a longer week.

CHICAGO

CAMPBELL IN LIFE FIELD

Franklin Life has appointed Al. F. Campbell as special representative in the organization of F. J. Budinger at 120 South LaSalle street, Chicago.

Mr. Campbell has spent his entire business life in the insurance business, principally in the general lines. During the last 8½ years he has been brokerage manager for Millers National. He is one of the best known brokerage men in Cook County.

FINNEGAN VICE-CHAIRMAN

Prof. J. B. Finnegan, head of the fire protection engineering course of the Illinois Institute of Technology, has been appointed vice-chairman of the fire prevention committee of the Chicago Association of Commerce. E. G. Frazier, secretary western department Springfield F. & M., is chairman. The committee is very proud of the distinction it received from the National Fire Protection Association inasmuch as Chicago was awarded first prize for its fire prevention week activities.

J. R. Wilson of Marsh & McLennan was chairman of the fire prevention

week show, staged by the Underwriters Laboratories, fire department, fire insurance patrol, Automobile of Hartford and the Peoples Gas Company, which presented fire prevention and extinguishing apparatus facilities. All the activities tended to drive home to the people of Chicago the great necessity of fire prevention work.

FIREMAN'S FUND CELEBRATION

The Fireman's Fund western department, inland marine division and Fireman's Fund Indemnity in Chicago had a joint holiday party and celebration in the office of the parent company. Tuesday evening. A group of women employees acted as chairmen of the committee on arrangements. In addition to refreshments, music was furnished by an orchestra.

The chief hosts were Vice-president E. D. Lawson, Fireman's Fund; Manager P. J. Leen, inland marine office, R. C. Folley, assistant manager Fireman's Fund Indemnity.

FRED S. JAMES XMAS TREAT

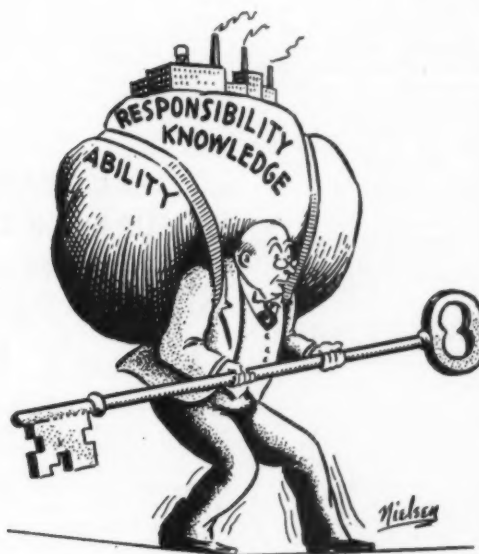
The Fred S. James & Co. organization in Chicago together with a number

of company representatives and other friends of the office enjoyed a Christmas musical treat during the noon hour Friday, before closing for the day. Stephen T. Pepich, manager of the Cook county department, is conductor of the Carnegie Steel chorus and that group, combined with 40 members of the Fred S. James chorus sang Christmas songs for half an hour. Just prior to that time the combined chorus, embracing about 100 voices, gave a similar concert for the Carnegie Steel Company at its Chicago loop offices.

At Fred S. James & Co. the chorus was accompanied on the piano by Mrs. Myrtle Lundquist of the agency's automobile department. Loud speakers were set up and the concert was heard by members of the Army radio corps on the fourth and fifth floors at No. 1 LaSalle street. Mr. Pepich is also director of the Aeolian chorus.

Following the concert George W. Blossom, Jr., president of Fred S. James & Co., was host to executives of the agency and a number of Chicago executives of fire insurance companies represented by Fred S. James & Co. at the Chicago Club.

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Reinsurers Share the Fortunes, Mostly Good, of Direct Writers in '43

From the premium volume standpoint the 1943 record of the professional fire reinsurance companies left little to be desired. Existing treaties produced good increases and there was enough new business to be had so that the reinsurers could continue their policy of selectivity of accounts. There is a great deal healthier tone to the reinsurance business than there was a few years ago when many of the reinsurance people felt that they were being treated as the stepchildren of the industry. Today their facilities and services are in demand and they are in a position to make underwriting decisions according to their best judgment without being under the necessity of maintaining volume.

A number of the reinsurance companies made a very substantial increase in gross writings but reduced their net business so as to maintain an attractive surplus position. The reinsurers like the direct companies this year desire to have an increase in premium reserve so as to have an underwriting loss to set against investment gain for income tax and excess profits tax purposes but at the same time they desire not to run up their reserves so sharply that in another year or two they would have to report a decline.

Loss Record Mixed

From the loss standpoint the year was probably more costly for the reinsurers than it was for the direct writing companies. The losses have been high, especially on manufacturing risks. Usually when fire losses are high, wind losses are moderate and vice versa but this year the business was burdened with both the unfriendliness of nature and the carelessness of man.

The reinsurance companies are further burdened with the fact that in the last five years or more following the good loss ratio period the reinsurance market was soft and reinsurance commissions have been pushed too high. One of the things that should come out of a difficult year like this is that the reinsurance companies should put up a fight to get their reinsurance commissions down.

The Galveston-Houston hurricane fell heavily on certain segments of the reinsurance business. Some of the companies escaped very lightly and the Texas storm losses were not burdensome. However, other reinsurers got some very stiff jolts, particularly those that are heavy reinsurers of some of the Texas companies.

Some of the Texas companies that had a lot of business in the storm country had extremely low net retention and the reinsurers paid heavily. Immediately those reinsurers set about getting their treaties amended either in the way of an increased retention on the part of the reinsured or a decrease in reinsurance commission.

Excess Covers Affected

London Lloyds and the Excess Reinsurance Association also were involved under catastrophe excess covers. It is conservatively estimated that Lloyds alone paid some \$2,000,000 as the result of the Texas storm.

The bad windstorm record of the year, not only on account of the Texas storm, but the one in Peoria the following day and the many others throughout the country is causing Lloyds to take a firm position on the renewal of its catastrophe coverage. A company may consider itself fortunate if its rates are not increased at this time.

The fire reinsurance companies this year were jolted by an unusual number of what are referred to in the trade as special cash losses. Under the treaties the ceding company may call upon the reinsurer for its share of a loss exceeding more than an amount that is speci-

fied in the agreement, the theory being that the direct company being heavily involved itself might have to borrow or sell securities unless it could recover immediately from the reinsurer. The mine run of losses are carried to account and settlement is not made for 45, 60 or 90 days. Such cash losses occurred this year in almost unprecedented number. For instance one of the most important of the fire reinsurers states that during October it had a greater number of such reports than in any previous month in its experience.

Personnel Problems

The personnel problem is causing a multiplication of detail work in the offices of reinsurers. The number of mistakes in the reports of the direct writing companies to their reinsurers is far above normal due to inexperienced and careless clerical performance. Frequently reinsurers will get notification of return premium in connection with risks that were not reported to them originally. Then there may be mistakes in such things as outstanding loss figures. The mistakes that run against the direct company just about balance those that penalize the reinsurer but the latter can't assume that the errors will wash out. It must scrutinize the records carefully and the reinsurers are no better equipped clerically than their treaty companies, so it may be a case of incompetents checking incompetents.

Whenever an important company that has been reinsuring on the traditional obligatory surplus treaty basis switches to the excess of loss system, the profes-

sional reinsurers are always shocked and fear that a trend in that direction may be in store. This year General of Seattle made such a switch and that is the big news in the reinsurance field. Most of the treaty reinsurance executives, however, have seen such movements in the past and have observed that the traditional treaty method is not going to be dislodged nor at any time is there likely to be a wholesale departure from the surplus treaty operations in favor of spread loss. They are convinced that the treaty system provides the greatest assurance against radical fluctuations in underwriting results and that there has been devised no satisfactory substitute for spreading the risk.

Latin American Possibilities

Some of the reinsurance companies are evincing interest in the idea of expanding American insurance operations abroad and a number of the reinsurers have accepted treaties from Mexican companies and of a number of the other Latin American countries. This business has been brought to them by brokers who are cultivating such business and there has been little if any aggressive development work done by the reinsurers themselves. Inasmuch as they are doing about as extensive a business in this country as they are capitalized to do, there is not presently any economic necessity to look abroad for premium.

Some of the reinsurance executives feel that from their standpoint the best practical prospect is for the development of reciprocal treaties with Latin American companies but there are some

very high hurdles to be surmounted. Under the present New York laws, a reinsurance company of this country could not take credit in its reserves for reinsurance ceded to an unauthorized company. That means that unless an American company had a magnificent surplus position it could not afford to cede business to a Latin American company in return for a share of the latter company's business and the deposit requirements are so high from the standpoint of Latin American companies, that they could not afford to become licensed in this country. It is taken for granted that there would have to be reciprocity in order to get any worth while share of Latin American business.

Of course, if American interests should be able to develop a direct business in Latin American countries either through agencies or by ownership of local companies, then American reinsurers might expect to get a share of such business. But there is a rather general feeling that the Americans are not destined to play an important part in post war insurance developments in South America. These countries are nationalistic, some of them have state insurance monopolies or near monopolies that are intended to capture for the country as much of the local insurance premiums as possible. Moreover, it is felt that the Latin Americans have always looked toward Europe in their reinsurance relationships and will continue to do so. The European system of composite insurance operations is the system to which the Latin Americans have become accustomed and the division of underwriting powers that exists in this country is likely to have a depressing effect in any development program that is undertaken.

Reinsurance Arrangements Affected by Federal Taxes

Virtually every insurance transaction these days is conditioned to greater or less degree by income tax and excess profits tax consideration and the tax factor here and there is exerting an unfortunate effect upon the professional treaty reinsurance companies especially in the fire insurance field. There is a situation that tends to promote reciprocity in reinsurance on the part of the direct writing companies and also that provides an argument for the advocates of the so called Carpenter plan of spread loss cover.

In view of the fact that the tax on profits from the sale of securities may be offset by a statutory underwriting loss, the direct writing companies this year, especially if they were close to falling into the excess profits tax bracket, strove to add to their premium income so as to increase their premium reserves and thus create a statutory underwriting loss. In order to accomplish such a result, many of the companies set about revising their reinsurance arrangements. Some of the companies during 1943 recaptured from the professional treaty reinsurance market some of their portfolios that had been outstanding for years and in lieu thereof made reciprocal deals with other direct writing companies. Others went on the Carpenter plan and set up their own premium reserves which had heretofore been carried by the reinsurance companies. General of Seattle was the most conspicuous example. It is taking back its portfolios from the treaty reinsurers and is entering upon a burning cost plan with Lloyds. However its avowed reason for making the change is to reduce the amount of detail work. Seattle is suffering from the manpower pinch as severely as any city in the country.

This has been a bitter pill for the reinsurance companies to swallow because they had reason to feel that the practice of reciprocity in reinsurance which had gathered so much momentum during the early depression years had begun to wane and that the boom had removed what in the past had been a strong incentive to enter upon a burning cost plan.

The big incentive for reciprocity during the depression years was to relieve the expense ratio that was getting uncomfortably over the 50% mark as volume of business diminished. The companies wanted to hang on to every penny of premium that they could safely assimilate so as to keep the expense ratio within bounds. During 1940, '41 and '42 when there was an expansion of business, the loss ratio again dropped to an acceptable level and there was not the pressure from this cause for reciprocity. Several of the companies were getting uneven results from their reciprocal arrangements, giving off a volume of business that gave better results than that which they got in return and the professional reinsurers were thus placed in a favorable position. But now they are confronted with a brand new condition that breeds reciprocity and although reinsurance volume this year is entirely satisfactory regardless, it is an adverse factor that is discouraging from the future standpoint.

Of course, if the asset and surplus position of the companies should deteriorate at some future time, it is not unlikely that they might abandon reciprocity and burning cost plans and return to the professional reinsurers on a treaty basis, but at that time the reinsurers might themselves not be in a position to assume increased liabilities.

CASUALTY YEAR

The trend as to volume in casualty reinsurance followed rather closely this year that of the direct business with certain exceptions. Automobile volume was remarkably steady and general liability was well ahead of 1942. Surety went into a tailspin in the reinsurance field as it did in the direct market due mainly to the radical falling off in new construction. Relatively, it is expected that the reinsurance companies will have had a sharper drop in the surety line than have the direct insurers because the latter in the face of the decline leaned more heavily upon reciprocal reinsurance arrangements than they did during 1942 and 1941 when the full market was wanted.

Due to the rate war and disturbance in the boiler and machinery field the professional reinsurers will probably turn up with a larger share of such writings than in the past. An important consequence of the cleavage between Hartford Steam Boiler and the other companies that adhered to its policies on the one hand and the bureau companies on the other was a revision of reinsurance arrangements. Each side was barred from reinsurance traffic with the other and in the emergency the reinsurance companies were sought out and hence got a bigger slice of the boiler line than ever before.

Interurban Bus Risk

From a loss standpoint the most frequently mentioned situation is the interurban bus. There have been an increasing number of bus losses and while the reinsurers are not in the red in this department they fear that the greater loss frequency spells danger ahead. The losses are attributed to inexperienced drivers and to deterioration of equipment. The fact that the buses are more crowded creates an abnormal loss sever-

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Reinsurance in Latin America

By W. F. DELANEY, JR.

Reciprocity or Economic Nationalism?

The economic development of Latin America no longer is a possibility of the future, it is a problem of the present. Postwar plans are being laid by all the nations south of the Rio Grande. Industrial expansion and the probable growth of a large export trade will result in a great demand for insurance protection. United States insurance companies stand ready to meet their share of these new insurance requirements.

The extent to which the United States companies can help to meet these insurance needs of Latin America is problematical due to the many restrictions which have arisen during the past years, restrictions based on a theory of economic nationalism. Economic nationalism would appear to be a potential barrier. Restrictions on the export of capital, large capital deposit requirements, reserve and investment laws, refusal to admit United States companies because of nationalistic laws, state monopolies and reinsurance banks all loom as possible barriers. The spirit of nationalism has in the past been growing in Latin America and in many other parts of the world.

Obstacles: (1) Deposits

Since the last war, many of the Latin American countries have increasingly enacted legislation requiring deposits from foreign companies. In many instances these deposits have been substantially increased from time to time. In Venezuela, however, after the fall of Gomez, the law of deposits was liberalized. The result has been to make it possible for foreign companies to do business there, whereas before the qualification requirements made this practically impossible.

The deposit requirements in Latin America frequently seem disproportionate to the possible volume of business.

Investment requirements often seem stringent. The list of permitted, and sometimes compulsory, investments do not always seem to offer the necessary and desired degree of liquidity. This is especially so in the case of fire and marine companies.

Obstacles: (2) Reserves

The problem of maintaining local reserves has long been a troublesome one. An argument frequently raised by insurance companies in the United States against insuring and reinsuring abroad is that reserves must be left abroad. Generally, an unearned premium reserve and an outstanding loss reserve must be set up and invested in local securities. Frequently the laws governing permitted investments considerably restrict the choice of companies as to the local securities. Not all Latin American countries, however, require that reserves be invested in local securities, some considering that the initial guarantee deposit is sufficient.

People, in criticizing the reserve requirements, are apt to forget that these reserves are eventually paid to the policyholders in the particular country. The requirement is no different in principle from the regulations of many of the United States of America. It is not unreasonable for each country to wish to protect its policyholders but insofar as the laws tend to force investment in illiquid securities it is doubtful whether they actually accomplish their ostensible purpose.

Obstacles: (3) Reinsurance Banks

In Latin America today, reinsurance banks represent one of the furthest steps yet taken toward nationalism. The Reinsurance Institute of Brazil (Instituto de Reaseguros do Brasil) was created in 1939 under Article 180 of the Constitution of Brazil and commenced operations on April 3, 1940. All fire and

marine reinsurance must be ceded to the I. R. B. (Reinsurance Institute of Brazil). Admitted companies are obliged to accept retrocessions from the Institute.

The Reinsurance Bank of Chile (La Caja Reaseguradora de Chile) was the first reinsurance bank in the Western Hemisphere, having been formed in 1927 under Law No. 4228. National companies may inter-reinsure but are obliged to cede all remaining excesses to the Bank. They may not reinsure such ex-



W. F. DELANEY, JR.

cesses with foreign reinsurers admitted or not admitted. Any reinsurance not assumed by Chilean companies must be offered to the Chilean Reinsurance Bank. By special agreement, admitted foreign companies are obliged to give a 20% quota share of all acceptances to the Caja (Reinsurance Bank of Chile), but are free to reinsure the balance with unadmitted foreign companies. Thus, all reinsurance abroad by Chilean companies must be effected by the Reinsurance Bank of Chile which may keep for itself such retentions as it deems fit.

The Superintendent of Banking of Colombia, in his annual report dated August 6, 1943, has recommended that Colombia set up a reinsurance bank.

(4) Exclusion of Foreign Companies

In turning towards Latin America, United States companies will find that some of the countries have legislation which excludes them altogether from entering the country to do business.

Brazil and Chile do not allow any

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additional foreign companies to enter and do a direct business. Articles 150 and 151 of the Brazilian Constitution of 1937 provide that measures should be taken for the nationalization of all insurance although this has not yet been done. The foreign companies entered in Brazil prior to 1937 have been allowed provisionally to continue their operations on a considerably restricted basis and subject to their accepting compulsory retrocessions from the I. R. B. Since

1927, as a result of Chilean Law No. 4228 of 1927, only foreign companies entered in Chile before that year may continue to do business in the country.

In Uruguay, there is a state monopoly of fire, life and workmen's compensation (Decree of Aug. 10, 1926). The monopoly is handled by the State Insurance Bank (Banco de Seguros del Estado). Foreign companies entered before 1926 are permitted to continue their insurance operations.

In Costa Rica, most insurance, with the exception of marine, is a state monopoly. Upon establishment of the monopoly foreign companies were compelled to withdraw.

This type of legislation thwarts the desire of our companies to cooperate and contribute such help as they can give in the insurance field. Until recent years, only a handful of United States companies have evinced any interest in Latin American business. Had other United States companies been entered in these countries at the time the legislation was passed, they would have been allowed to continue business. Undoubtedly, the laws were not specifically designed to exclude United States companies but they have that practical effect and accordingly favor those European companies which were admitted prior to closing the door to foreign companies.

Contrary to popular belief, Mexico does not have laws specifically excluding foreign companies. However, some of its legislative requirements are such that foreign companies find it hard to enter and do business there. Somewhat similar obstacles exist in Peru.

Reasons for These Obstacles

It is evident, therefore, that an insurance business with Latin America has certain serious obstacles for United States companies. However, a study into the reasons for the obstacles and the history behind them shows that sometimes there was justification for some of the measures taken. As so frequently happens, however, the remedies applied were unnecessarily drastic.

When foreign companies first entered the Latin American insurance field, they frequently made a practice of withdrawing all the premiums collected. This meant that unearned premium reserves and outstanding loss reserves, as well as profits were drawn out of the Latin American countries and converted into the foreign companies' own currencies. This naturally constituted a drain upon Latin American foreign exchange resources. During the depression years the Latin American countries had serious foreign exchange problems and were obliged to take measures to safeguard their currencies. Insurance did not escape

hand, are a definite bar to the doing of business in Latin America today. The nationalistic trend has spread so far that it is unlikely the Latin American countries will be willing to change their present policy unless something better is offered to them.

Nationalism Hinders Insurance

Nationalism tends to restrict the law of averages. The question arises as to whether Latin American countries are benefitting their citizens, the insuring public, by keeping insurance business localized, thus limiting the spread of risk. The principle of insurance is to spread the risk. The principle of reinsurance is to give a still greater spread of risks in order to permit the law of averages to operate. Channeling all reinsurance into a national reinsurance bank is insufficient protection against national disasters and catastrophes.

The reinsurance banks retrocede a relatively high percentage of their total acceptances. The ultimate reinsurance, therefore, is completed at a greater cost because of the intervention of the reinsurance bank between the writing companies and the ultimate reinsurers. This increased cost, in turn, must be reflected in the rates. From the viewpoint of insurance protection or, alternatively, from the viewpoint of costs, economic nationalism is uneconomical.

Reciprocity an Improvement

There may be a better substitute for nationalism. Instead of nationalism the principle of reciprocity, or, in other words, insurance internationalism could be offered by United States companies.

Furthermore, today in Latin America, unfavorable trade balances have largely disappeared. There are large favorable dollar balances. For the first nine months of 1943, Latin America had a favorable trade balance of \$370,000,000. The exchange problem is no longer acute. It might well be said to have almost completely disappeared, at least for the moment. The absence of foreign exchange difficulties removes one of the principal reasons for nationalistic legislation.

Possible Offer by U. S. Companies

United States companies might take definite action and show how reciprocity will do a better job than economic nationalism. Rather than retire from the reinsurance field in Latin America, or rather than contenting themselves with taking such offerings as may be retroceded by reinsurance banks, United States companies could insure and reinsure Latin American business and, in exchange, could offer to Latin American companies United States and other business. Fundamentally, the principles of insurance are international. The Latin American companies can be shown that it is to their own advantage as profit enterprises, to the advantage of their particular country, and greatly to the advantage of the insuring public, not to restrain the spreading of insurance worldwide but to encourage it.

Time for Reciprocity

Reciprocity has replaced Yankee imperialism. No longer do our troops land on Latin American shores to be met by shell fire. Our ambassadors of good will, business men and government men, who carry sound proposals, step off airplanes to be welcomed. This is the time for insurance men to convince our Latin American neighbors that we wish to do business with them on a business basis and as equals, that we wish to offer them reinsurance in exchange for their reinsurance. Reciprocity is widely recognized as one of the bases for rein-

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Streamlining Procedures and Forms in Facultative Work

By E. G. CRAPSER, Secretary Meserole Group

In most offices, facultative reinsurance procedures and forms have been grossly neglected and few, if any, changes have been made in the last 25 years. The handling of facultative reinsurance is not a big item in any office, but that is no reason why it should not be handled in the simplest possible manner.

In the first place, it has been our experience that reinsurance — facultative, treaty or agency — can best be shown on the reverse side of the daily report in a specially printed book. This way it can never be detached and the back of the daily report is ample for almost any reinsurance situation including all additional premium and return premium entries. In connection with any reinsurance, that is, treaty, facultative or agency, the ideal situation would be to have the underwriters indicate all of the reinsurance at the time they check or add the commission and classification information. This means, of course, that routine underwriting, including mapping must be done immediately after daily report is received in the office. This may not be possible on all daily reports, but can definitely be done on a great majority of them. It is then possible to put through all of the entries on the daily report at one time. In the first place this means less handling. Secondly, you can be certain that all reinsurance went through in the same accounting period as the original entry. Thirdly, reinsurance errors may be caught in this way.

Immediate Recording

There is an old established rule in many company offices that the business must be recorded immediately after the daily reports are received. In such offices it is not permitted to underwrite the daily report and indicate the reinsurance before the items have been entered. However, if all procedures were properly outlined, it should be possible to take care of all routine underwriting, including mapping and reinsurance before the daily report is put through for entry. Certain companies are working on this basis and I believe it is coming for all companies sooner or later.

Great care should be taken in designing the reinsurance block on the back of the daily report or on a separate sheet if one is used. If the back of a daily report is used, the information may be spread horizontally across the 11 inches. In this way, sufficient space may be allowed for all columns.

It is often possible to print in the names of companies and their code numbers with whom the bulk of reinsurance business is done. Columns should be provided for commissions and original or reserve premiums in addition to the columns usually found in reinsurance blocks.

We have also found that if the block is divided up into sections allowing room for three or four entries in each section, the handling of reinsurance is much more satisfactory. We show premiums and additional premiums on one side, return premiums on the other side and by allowing three lines for each section, we can put the original entry and two additional premiums, as well as three return premium entries before it is necessary to rewrite the company name and code number, commission, etc.

This reinsurance block should be printed so that a daily report held in the left hand (holding the lower lefthand

corner) can be twisted so that information on the front and back are both readily available. Correspondence should be pasted to the back of the top of the daily report, so that it falls away when the daily report is twisted as indicated.

So much for the daily report. Reinsurance may be roughly divided into treaty, agency, facultative by agreement, other facultative, and possibly interoffice. We are not interested in treaty or interoffice, and we are not very much interested in agency, although some of our remarks regarding facultative reinsurance might be applied to agency reinsurance to the advantage of all concerned.

Facultative reinsurance by agreement usually carries with it binding power on the part of the effecting company, and no obligation on the part of the assuming company to keep the business. There is usually a five-day cancellation clause and the assuming company is privileged to give five-days notice regarding any line it does not want.

Where there are facultative reinsurance agreements, the assuming company usually provides binder forms and policy forms, the policy forms being in the abbreviated style representing reinsurance certificates rather than policies. These certificates are usually pre-numbered.

Where There Is No Agreement

On the other hand, where there is no agreement the effecting company usually provides the reinsurance certificate, which may or may not be used by the assuming company. If used by the assuming company, the assuming company assigns a policy number, signs the certificate and returns it to the effecting company. If not used, the information is typed onto a reinsurance certificate bearing the assuming company's num-

ber, which is then furnished to the effecting company, completing the transaction.

In both cases, whether the facultative reinsurance is handled under an agreement or not, the writing of each binder and the writing of each reinsurance certificate is a separate and distinct operation. Each set of forms, that is the certificates received from one company and the certificates received from other companies, are entirely different. The binders are likewise different, and of many sizes.

We ran across what was to us a new idea in connection with facultative reinsurance. The idea is not original with us, and we have no doubt that some companies may have been using similar forms for many years. On the other hand, we know for a fact that many companies are still using the old method of handling facultative reinsurance, and we believe that such companies can save a great deal of time if they will investigate this new method of handling facultative reinsurance. We use the same method for facultative reinsurance where there is an agreement and for facultative reinsurance where there is no agreement, although there are certain differences.

Special Form of Binder

We have provided our underwriters with a special form of binder to use wherever reinsurance is to be bound with companies with whom we have effected a reinsurance agreement. We have listed the names of all these companies on this form with blank lines for other companies that may come along from time to time. We fill in all of the information at the one time and in the one writing, checking off the names of the companies and showing the amount each is to get. The check mark is a guide for mailing out these binders. The carbon

copy we keep shows the list of all companies and the amounts for each. Furthermore, we have eliminated the number from the binder. This is somewhat of an experiment and may boomerang, but so far we have had no difficulty.

We next designed a reinsurance certificate and daily report form. On this form we also showed the names of all the companies with whom we expected to do business by agreement. Again we write all of the reinsurance certificates and daily reports at one and the same time, checking off the name of the company and showing the amount in which each company is interested. These reinsurance certificates and daily reports are numbered with a separate series of numbers for each of the reinsuring companies. In other words, we provide these companies each with a continuous series of numbers so that they may be certain they are getting all of the items which we complete. The typist keeps these forms in a handy file and makes up a set every time she receives a daily report with reinsurance shown on the back thereof. At one time she may have two companies; another time she may have eight or ten. Regardless of the number, she types them all at one writing, special carbon paper being provided so that the carbons are all readable. The reinsurance certificate and daily report number is noted on our daily report, and in addition we are now keeping an extra carbon of what we have typed, but eventually we believe this extra carbon might be entirely eliminated.

Endorsement Form

To go along with this certificate we have designed an endorsement form, also containing the names of all the companies, and also written up in one and the same operation. We likewise have a cancellation form, which is nothing more than a special endorsement form used when the insurance is cancelled with the names of the companies, etc., etc.

We believe the advantages are obvious, but we should like to point out some of them. We do not have more than one form and size of binder and we write all binders in the one operation. This is a saving in work and is much more convenient for our underwriters. In our reinsurance department we have eliminated the miscellaneous forms of reinsurance certificates as well as the separate writing of each. Because we previously used our own form of endorsement, the only saving on endorsements is the saving we get by writing all endorsements at the one time, which we did not do previously. The cancellation form is actually extra work for us, but this is more than offset by the other savings. Formerly we returned the certificate belonging to the assuming company to indicate a cancellation. Now we prepare a special cancellation form, cancelling all the reinsurance in one writing as explained above.

In accordance with our agreement with each of these companies, it is not necessary for us to get back a signed certificate. We simply send the assuming company the reinsurance certificate and daily report and note that fact on our daily report covering the original line.

Other Facultative Reinsurance

We have applied the same system with certain differences to all other facultative reinsurance. We have not designed a binder form, although this may be a possibility later on. Our underwriters make their arrangements and receive binders from each of the assuming companies. When we receive the daily report in the reinsurance department, we prepare all

Small Insurance Company Selects Its Reinsurance

By W. H. LEONHART
Leonhart & Co., Baltimore

Many well-managed small insurance companies in the United States can attribute their success to having restricted their territorial operations and having limited their volume of business to that which they can efficiently service and easily assimilate.

What is meant by "a small insurance company?" A brief yet practicable definition would be "a company operating within a limited number of states." Such a company could readily be one doing business in only one county, one state, or perhaps a dozen states. It is not likely that a company with a limited capital structure or policyholders' surplus would be operating throughout the entire 48 states and the District of Columbia; therefore, by "a large company" we generally mean "one operating on a nation-wide basis."

Are the reinsurance markets limited as to facilities for the small company? Definitely not. The reinsurance markets are exceptionally well-established

and capable of serving the needs of the small insurance companies. It would appear, however, that the needs have not been made sufficiently clear to provide a ready market for some of the types of contract that would best serve their requirements.

What is the best approach to influence the reinsurance market in favor of the small company? Obtain a clear understanding of the reinsuring underwriter's requirements. Reinsurance underwriters are quite naturally made of the same stuff as insurance underwriters; therefore, it is readily understood that their first concern is to realize an underwriting profit. The method employed is likewise known to the insurance underwriter, namely, "the selection and servicing of risks." It is only through experienced "selection" of risks and the subsequent "servicing" of these risks that either the reinsurance underwriter or the insurance underwriter can survive.

It is necessary, therefore, that the insurance company show its prospective reinsurer conclusively that it is and has been operating successfully before any desirable contract of reinsurance can be effected. The business management as well as the underwriting, claims, and loss-prevention departments must be shown to have had sufficient experience and ability to maintain an equally successful future record.

What is the fundamental need for re-



W. H. Leonhart

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Reinsurers Affected by Boiler War

INNOCENT BYSTANDERS ARE EAGER FOR SPEEDY SETTLEMENT

Innocent bystanders in the rate war between the bureau and non-bureau boiler and machinery insurers, the casualty reinsurance companies are as eager as the New York insurance department for a speedy settlement of this costly controversy.

With boilers, machinery, and other insured equipment working overtime in war plants it would seem that rates should be higher rather than lower but thus far the experience has not been bad. On treaty business the reinsurers' share of the premiums has, of course, dropped along with those received by the direct writers. A number of treaties have been written on a "per accident" basis, combining the cost of direct and indirect damage (U. & O., outage, etc.). Since there is no manual rating for such a combination of coverages these treaties are based on a percentage of the ceding companies' volume.

However, the worst cut is in the business taken facultatively, where some rates have been cut as much as 95%. The latter figure is not a typographical error, however much the reinsurers may wish it were. Fortunately such steep cuts apply mainly to facultative direct damage business.

The big cut is due to the excess limits table promulgated by the National Bureau of Casualty & Surety Underwriters in its new manual. The manual formerly in general use had an insurance charge, which was a flat charge varying by amount of insurance purchased and an object charge, and the excess reinsurer got a portion of each. The premium for the object charge was divided between the direct writer and the reinsurer on the basis of the amount of liability and the type of object. There were 18 classifications and the bigger the object the greater was the percentage of premium going to the reinsurer. The insurance charge did not vary by type of object but only by the limit of liability. The difference between the charge for the policy limit and that for the direct writing company's net retention went to the reinsurer or reinsurers.

Present Manual Rates

The present bureau manual rates, on the other hand, are based on a limit of \$10,000 for each object and those who wish to purchase higher limits can do so, choosing what objects they will insure and paying premiums based on the excess limits table, which is very similar to that used in automobile liability. The entire excess limits premium would go to the reinsurer, assuming that the direct writing company kept only the standard \$10,000 limit.

The reinsurance companies were not

consulted by the bureau in fixing this table of excess limits but beyond cutting down their commissions on such business there was not much the reinsurers could do about it. In spite of the sharp cut on direct damage premiums the reinsurers are not disposed to quarrel too much with the adequacy of the bureau's rates, feeling that they have been made on the basis of a careful study of experience over a considerable period. It is hoped that the attractive rates will bring in more business and thus decrease the possibility of adverse selection.

Another influence which the reinsurers hope will be in this same direction is the blanket coverage now available. The insured may purchase coverage on all objects, whether in use or not, and at the expiration of the policy it is determined what objects were used and the premium is adjusted accordingly. Blanket coverage also tends to induce the insured to include all objects and at the highest limit of liability he is carrying on any object rather than picking out certain ones for high limits.

The revised rates on U. & O. and other indirect coverages reflect a much lower discount from the old manual rates than do those for direct damage. It is difficult to estimate just what the effect of the new manual is dollar-wise because of innovations such as extended coverage, which also affect the rate level to some degree. Extended coverage helps, to some extent, to offset the lower premium to reinsurer as it increases the premium on which the reinsurer gets a percentage, while the type of losses paid under extended coverage, such as bulging or burning due to low water, would not normally involve an excess reinsurer.

Power Plant U. & O.

Power plant use and occupancy brings a bigger premium than direct damage and is viewed as being quite favorable. The priority situation has not delayed getting plants back into service, in general, and may even have been a help. The favorable side of U. & O. reinsurance picture is that those insured desiring the higher limits and paying the biggest premiums are usually those engaged in war work of sufficient importance to be sure of a high priority in the event repairs or replacements were needed. Furthermore these big, prosperous plants have efficient management which are well aware that it is better to keep breakdowns from happening than to collect indemnity from an insurance company. Consequently possible bottlenecks are watched carefully and there is usually some equipment that could be brought into use in the event repairs should be necessary. One resourceful

plant manager hired a railroad locomotive and ran it in on a siding to supply steam while the plant's boiler was being repaired. The U. & O. loss was limited to the rental of the locomotive.

A risk involving direct damage alone does not ordinarily bring up the problem of capacity as it is usually written in amounts that can be handled by the direct writer and its automatic treaty. A good deal of direct damage business is reinsured on the per-accident basis in combination with U. & O. limits and, therefore, does not usually reach the professional reinsurers on a facultative basis.

On the other hand, U. & O. is often required in huge amounts which are beyond the capacity of any of the ceding companies' automatic reinsurance facilities. For this reason more risks are offered to reinsurers and often the amounts of liability required absorb all the facilities of the direct writers and the domestic reinsurers. It is rather difficult to arrange a line of \$5 million or more, particularly if there is also a sizeable amount of direct damage coverage. Undoubtedly the fact that all companies are not now bureau members contributes currently to the reinsurers' volume by reason of the curtailment in the trading of reinsurance between bureau and non-bureau carriers which normally goes on.

Canadian Business

A considerable volume of boiler and machinery business comes from Canada as there are large lumber and paper mills there as well as a considerable amount of public utility and industrial business. Much of it goes to United States companies. A certain amount of reinsurance premiums also arise from sugar mills and other industries in Latin America.

In spite of the rate war the reinsur-

ers feel much easier than they did a year ago about the inspection problem. At that time it looked as if inspection service was going to be drastically curtailed and the reinsurers are keenly aware of the importance of inspection to boiler and machinery coverage. Inadequate inspection, by greatly increasing the chances of severe losses, would hit the reinsurers particularly hard. While it is quite likely that large utility plants and factories would maintain a high quality of inspection even without the boiler companies' inspection service there would be many other types of plants where inspection would be neglected if it were left solely to the plants' managements.

Expect Continued Sales

It is expected that at least for the duration boiler and machinery reinsurance premiums will hold up at a rather high volume level. The number of new purchasers of power plant coverage and the increased amounts of coverage required by old clients appear to be sufficient guarantee of this statement. A certain decrease will necessarily take place in the reconversion period following the war but undoubtedly the present situation has contributed considerably to the education of plant management in the desirability of being fully protected against power plant failure, both as respects direct damage and use and occupancy.

After the Hartford Steam Boiler withdrew from the bureau, a scheme was projected whereunder bureau companies that do not do a direct boiler business would, however, take such business by way of reinsurance from bureau boiler writing companies. However, there was a series of delays in putting such an arrangement into operation and it now appears unlikely that it will be consummated.

Mutuals Put Burning Cost Plan on Reciprocal Basis

One of the conspicuous reinsurance trends of the day is the tendency on the part of some of the mutual fire companies to swing away from pro rata reinsurance in favor of some variance of the Carpenter plan or burning cost plan of excess of loss cover. Much of the Carpenter plan reinsurance of the mutual companies is on a reciprocal basis and the London Lloyds market where the cover was pioneered, is not being extensively utilized. By operating on a pool basis the mutuals are undertaking to escape the loading that is charged by Lloyds for the cover. Although each member of the pool contributes a loading which is usually 100/70, it likewise recovers the loading that is contributed by the other companies in the pool and the theory is that the only cost to the member company in financing its losses over a five year period is the commission that may be collected to pay for the administration of the plan.

Usually under this pooling arrangement, each company has a net loss retention of one line or a fixed amount in dollars and for the reinsurance it pays a percentage of its premiums, depending upon its loss experience with a minimum and maximum liability which may be 3% and 14%. It then collects from the other companies in the pool its losses in excess of that line or that fixed amount of dollars, up to a maximum amount. In some of the plans, for instance, the excess cover that is granted is \$20,000 over and above the net retention. In order that

there shall not be an element of catastrophe cover in the plan, there is a limit of recovery per occurrence as well as per risk, and the limit per occurrence is usually the same as the limit per risk. Thus in a catastrophe loss the most that any company can be called upon to pay in the pool is the limit per occurrence which may be \$20,000 and that is also the maximum amount that it can recover.

Usually these mutual pools have a fairly modest amount of cover so that it is necessary for most of the individual companies to make other reinsurance arrangements to take care of their peak lines either on an excess of loss or a pro rata basis and it is also necessary for them to buy excess catastrophe covers elsewhere.

Several Pools Operate

Such pools are being operated by the mill mutuals, the member companies of the Mutual Fire Inspection Bureau of New England, and a considerable number of companies that have become associated in the plan of American Mutual Reinsurance which is sponsored by the Federation of Mutual Fire Insurance Companies. American Mutual Reinsurance retains for its own account only 10% of the liability under the reinsurance arrangement that it sets up and its main function is to bring into being and manage the pool of other mutual companies.

Although the mutual companies have patronized to a certain extent the pro-

(CONTINUED ON PAGE 23)

**Fire, Casualty and Surety
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President

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Vice-President

1901

1943

PEERLESS



Casualty Company

FINANCIAL STATEMENT

JUNE 30, 1943

ADMITTED ASSETS

U. S. Govt. Bonds, at amortized values	\$1,881,632.09
Other bonds, at amortized values	144,827.52
Cash in Banks and Office	688,303.32
Stocks, at market values	185,258.75
First Mortgage Loans	113,372.71
Collateral Loans	18,500.00
Uncollected Premiums (less than ninety days due)	67,640.02
Accrued Interest	10,253.81
Other Assets	12,584.01

Total Admitted Assets \$3,122,372.23

LIABILITIES

Reserve for losses and loss adjustment expenses	\$ 836,331.58
Reserve for unearned premiums ..	575,761.15
Reserve for taxes	148,000.00
Contingency Reserve	39,546.23
Other Reserves	22,733.27

Total Liabilities \$1,622,372.23

Capital \$750,000.00

Surplus 750,000.00

SURPLUS TO
POLICYHOLDERS \$1,500,000.00

Total \$3,122,372.23

Securities carried at \$317,251.26 in the above statement are deposited as required by law.

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Home Office
KEENE, N. H.

New York Office
116 JOHN STREET

Contract Provisions Are Studied

Collins Tells Meaning of Reinsurance Terms

In discussing fire reinsurance, Mr. Collins first took up obligatory, surplus line treaties. Taking a typical, specimen form of contract the class considered the various clauses of provisions governing the engagements made and entered into by and between the ceding company and reinsurer. Upon introduction of the question as to whether this type of treaty required a consideration clause Mr. Collins held that this was a matter of somewhat divergent opinion and stated that his observations indicated the absence of this clause as frequently as its presence and ventured that while various continuing transactions, such as payment of premiums, commissions and losses, in themselves constitute sufficient evidence of consideration, the expressed exchange of consideration as such between the parties appeared preferable to silence as to that phase of the contract.

The initial provisions of a surplus line reinsurance treaty give definite expression of the intent of the contracting parties. Included in these must be statements as to the obligation, or lack of obligation, of the parties to each other, the various hazards in respect of which cessions may be effected, the territory to which the arrangement extends, and the classes of risks included or excluded, as the case may be. Furthermore, the precedence of the contract in its relation to the ceding company's other reinsurance arrangements should be expressed, i. e., it should be quite clearly understood whether the treaty is first, second or third surplus, and the conditions thus established will thereafter govern the order and extent to which cessions may be made.

Multiples of Retention

Mr. Collins mentioned that in fire reinsurance the average American practice limits treaty capacities to amounts not in excess of 10 times the net retention of the ceding company, although it occasionally occurs that reinsurers are called upon to assume as many as 30 times the net retention,—the term retention being the line kept for net account by the reinsuring office. Distinctly at variance with this procedure is the practice followed in Central and South American and other "foreign" treaties which often provide 40 or 50 line capacity. In a general discussion of this subject it was demonstrated that the occasional heavy loss involving "peak" cessions,—that is cessions substantially in excess of the average cession for which a ceding company requires facilities,—can have an extremely adverse effect on the experience of an otherwise satisfactory account for the

reason that such cessions can produce losses several times in excess of the average line under the contract.

In order to establish an average for its reinsurers, the ceding company limits its cessions to certain multiples of its net retention and also agrees, in other than exceptional cases, not to interest its reinsurers on any risk where the net retained liability is less than a certain fixed amount. For example, a moderate line writing company will often stipulate in its reinsurance treaties that no cessions can be made unless and until the ceding company has retained net for own account an amount of \$1,500. Cessions are then graduated, as for example, to provide one line capacity where the net retention is \$1,500 to \$2,500; 3 lines where the retention is \$2,500 to \$5,000 and 5 lines where the retention is \$5,000 or over. If,

this practice results in the elimination of considerable clerical detail and assures the reinsurer of an equitable participation in the high as well as in the low rated risks subject to reinsurance.

In obligatory treaties the reinsurer's liability commences simultaneously with that of the ceding company as soon as the latter's net retention, according to established practice, is exceeded. Premiums in respect of such liability are credited to the reinsurers as of and from the inception date of the ceding company's liability. As an example of this, Mr. Collins stated the case of a company's having a change of heart with regard to use and occupancy insurance. If a review of a company's use and occupancy business in force indicated the advisability of reducing net lines by 25% or 50% the effective date of all individual cessions would be

to say, is reported through the medium of daily reports, individual loss notices and proofs, monthly accounts, etc.

Reinsurance treaty commission allowances are established at rates sufficient to cover commission and other expenses incurred by the ceding company in the production of its business, including state, county and municipal taxes, and other charges based upon premiums. It was pointed out that the phrase "based upon premiums" precludes recovery of certain license fees and other charges which are established arbitrarily and without consideration to premium income.

Instead of a flat percentage allowance on net premiums, sliding scale compensation is sometimes agreed upon. For example, it is provided that, in a specified period, for every improvement of 1% in loss experience below a certain established ratio of losses incurred to premiums earned the ceding company receives .50% additional allowance on the premiums earned during that specified period.

Mr. Collins mentioned that the additional compensation is sometimes paid on written premiums and in the case of seasoned business this did not make very much difference from payment on the earned premiums. Of course on new business it would be particularly disastrous for the reinsurer to make an adjustment on written premiums in the early stages of operations as subsequent losses might produce extremely unfavorable results and bring about a situation where the compensation paid the ceding company was entirely out of line with the allowance intended to apply to business producing such results. From an accounting standpoint, application of sliding scale compensation to the earned premiums is most desirable since the reserve equity remains constant. It would seem that sliding scale arrangements are particularly objectionable to professional reinsurers in that they reduce the possibility of developing a backlog of profit against future lean years.

The settlement or compromising of losses and claims is at the sole responsibility and discretion of the ceding company except that in the case of insolvency the ceding company and reinsurer are governed in their relationship by section 77 of the New York insurance law, which under certain conditions permits the reinsurer to intervene in loss adjustments. In order to receive credit for reinsurances in their financial statements ceding companies and reinsurers must stipulate that transactions between them are subject to section 77 of the New York law.

Accounting for Treaties

The accounting for treaty reinsurances varies according to the practices followed by various ceding companies. Usually accounts are rendered monthly, as promptly as possible after the close of each respective month, but payment of balances is made anywhere within 30 to 75 days depending upon circumstances. Procedures also vary with regard to the payment of losses. Some ceding offices render periodical paid loss bordereaux which are subject to prompt cash payment by the reinsurer, while others accumulate paid losses and deduct the amount due therefrom from the current month's balance. This is, of course, a matter which is to be settled upon by and between the ceding company and the reinsurer when the treaty contracts are drawn.

In order that the custom of the business be given every consideration in deciding disputes arising out of reinsurance

(CONTINUED ON PAGE 36)

W. D. Collins, who is assistant secretary of the Corroon & Reynolds companies, gave the fire insurance lectures in the first reinsurance course given under the auspices of the Insurance Society of New York, in the academic year 1941-42. The first part of the reinsurance course was reported in the 1941 Reinsurance Issue and much of the second part was summarized in the 1942 issue. Herewith are the highlights of Mr. Collins' lectures as reported by a NATIONAL UNDERWRITER representative who took notes on the course. Mr. Collins' lectures were somewhat in the nature of an open forum.



W. D. Collins

for any reason, it should occur that the reinsurers under a contract such as that under discussion should be ceded amounts in excess of the stipulated multiples of the ceding company's net retention and this error should in any way come to attention, the requisite adjustment must be made to bring the reinsurers' commitments into line with contractual provisions.

Fairness to Reinsurers

As a matter of fairness to the reinsurers and in the interests of all around economy, it is frequently stipulated that reinsurances are applied in equal proportions to all insurances on one and the same risk and also to all items of the policies against which cessions are effected. In cases where a risk, as determined by the ceding company, is covered by more than one policy, cessions are very often applied to part or all of the last policy or policies written,—the reinsurers receiving the same premium rate as the company receives under the policy or policies to which the cessions apply. Adoption of

that upon which the desirability of a change in policy was established, not the inception date of the individual policies as would be the case after the company's net retention was exceeded by the amount of the policy at date of issue.

Provision as to Errors

Obligatory surplus line treaties usually contain some provisions governing the cession of reinsurance in the event that through clerical error, oversight, or other accidental circumstances, the ceding company should omit to effect reinsurances properly subject to the agreement. The purpose of these provisions is to prevent the ceding company's being penalized through occurrence of loss or a reinsurer's being deprived of premium falling to its share, either of which possibilities might develop through failure correctly to report liability, through an agent's delay in reporting to the home office, or through inadvertent cession or cancellation of reinsurances.

The usual practice of reporting under reinsurance treaties is for the ceding company to forward periodical bordereaux advices containing particulars of premiums, return premiums, the commissions thereon, losses advised and loss adjustment expenses paid. This method of reporting has been radically modified within the past several years however, and it now often happens, particularly in the case of reinsurances traded between direct writing companies, that the bordereaux are eliminated and a recapitulation of the ceding company's home office master bordereaux is made the subject of a summary monthly account. Professional reinsurers, accustomed as they are to the preparation of a considerable statistical detail, are not infrequently badly handicapped by bordereaux elimination and if given a preference they elect to follow the established method of having their obligatory surplus reinsurances bordereauxed to them. Facultative reinsurance is usually treated quite similarly to a direct writing company's agency business, that is

Robert Van Iderstine, Jr.

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Excess Reinsurers Getting Smacked on Truck Cargo

Excess reinsurers covering truck cargo risks are getting smacked from several directions by wartime conditions, which have come on top of a none too favorable peacetime record for this class of business.

Direct writing companies are being asked to increase their unit catastrophic limits tremendously. First, there are the very high limits demanded by government officials where goods destined for the army, navy or other federal agencies are involved. Then there is the inflationary tendency which means that a truck load of wool formerly worth \$10,000 is now worth \$20,000.

Gross Receipts Basis

The feature of truck cargo business which particularly squeezes the excess reinsurers is the practice of basing premiums on gross receipts. In peacetime this is an equitable method of determining the premium and is satisfactory both to insurer and insured. There is relatively little difficulty about getting an accurate gross receipts figure and from the truckman's point of view there is the special advantage that his insurance charge is directly proportional to his income. There is, of course, no close correlation between the value of goods carried, which is the measure of the insurer's liability, and the charge the truckman makes for carrying it, on

which the insurance premium is based. However, under normal conditions the underwriters can get a pretty fair notion of their average liability per load and on this assumption the freight receipts constitute a good measure of the degree of exposure.

Box Car Figures

However, when truck load values begin to get up into boxcar figures the gross receipts figure may have so little relation to the exposure involved as to be almost meaningless. One truck for example, recently carried a cargo valued at nearly \$400,000 and while this may have been something of a record value running from \$100,000 to \$200,000 are not at all rare.

While the carrying of loads of higher value than was contemplated in fixing the rate is costly to the direct writing company it is much worse for the excess reinsurer, for there is a much greater chance that any given loss will involve the reinsurer more heavily than would be true in peacetime.

The gross inadequacy of rates based on a peacetime basis of freight receipts may be seen by an example. Suppose that a truck is carrying a load of airplane engines valued at \$200,000. If the shipper were buying a policy to cover this trip, a single trip, the rate would be probably around 2½¢ per \$100 or \$50 for the load. In the event of loss the insurer would of course have the right of subrogation against the truck man.

However, if the truckman were insured on the gross receipts basis he would be paying somewhere between 1% and 3% for his insurance. Assuming that he would receive \$200 for the trip—which would probably be high—the premium to the insurance company would be only \$6, even assuming the 3% rate on gross receipts. Furthermore there would be no subrogation.

What has particularly plagued the excess reinsurers is that they may get

hit from more than one ceding company on the same loss and that the ceding companies may have taken an inadequate premium in view of the high hazards involved and in fact accepted the risk, or a part of it, only as an accommodation. For example, one company has a truck risk with a limit of \$10,000 per vehicle. The truckman wants a higher limit, perhaps \$50,000 per vehicle if he is doing much hauling for the government. The insurer, however, mindful of current conditions and the generally unfavorable record of long-haul truck business, refuses to go beyond \$10,000 per truck.

The trucking company then goes to another direct writing company and buys an excess policy for \$40,000 in excess of \$10,000. Realizing that it will not have to pay anything until any given loss exceeds \$10,000, the second company is frequently tempted to charge a lower rate for its excess policy than the first company charged for the first \$10,000 per unit. If the first company is charging 2% of gross receipts for \$10,000 per unit coverage it would probably want 4% to cover all the way up to \$50,000. But the second company may very well charge only 1% for the \$40,000 in excess of \$10,000.

The excess reinsurer may well have excess reinsurance on both the primary coverage and the excess coverage and because of the splitting of the premium between the two direct writing companies the excess carrier gets an even lower premium than if the first company had considered the risk good enough to accept for the full \$50,000 per unit limit.

The excess reinsurer is helpless in such a situation, for reinsurance contracts usually provide that excess of loss reinsurance is excluded but there is no ban on excess of loss insurance. While excess of loss insurance might be excluded there would arise the question of coverage under personal property floaters and other insurance involving deductibles.

The situation could be controlled by having the reinsurance treaties provide that excess of loss coverage issued to an insured shall be covered by the

(CONTINUED ON PAGE 23)

Chicagoan Is Only Reinsurance Woman in U. S.

Mrs. K. L. Belcher of Chicago, who is the only woman in the country operating a reinsurance office, has won complete acceptance as an established part



MRS. K. L. BELCHER

of the insurance scheme in Chicago. As a matter of fact, it might be said that the fact that she is taken for granted in Chicago insurance circles is a distinguishing characteristic. A woman of gracious personality, she asks and expects no favors because of her sex and at the same time, technically competent and well informed professionally, she does not parade her knowledge. She has carried a natural social charm successfully into business relationships and she can be very well taken as a model for women in executive positions who desire

(CONTINUED ON PAGE 23)

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REINSURANCE

Fire Reinsurance Company Record Given for 1942

U. S. Companies	Capital	Surplus	Under. Reserve	Net Premiums	Under. Bal.	Invest.	Offic. Inv.	Profit or Loss	Dividends	Rate
Est. Company	a	b	c	a, b, c	Written e	Earned	(Offic.)	Income	or Loss	%
1941 *Am. Mut. Reins...	1,000,000	1,000,000	1,479	9,623	8,630	—7,042	21,217	19,962		
1926 *Amer. Reserve...	1,000,000	908,574	2,923,378	3,459,913	3,325,956	—64,619	295,776	131,958		
1913 *Eagle Fire, N. Y.	505,300	403,035	593,288	2,7	554,382	—56,317	85,510	—54,876		
1941 Christ. Gen., N. Y.	500,000	670,768	1,911,353	1,7	1,821,995	—135,944	38,312	—12,577		
1940 Constitution Re...	500,000	690,760	1,374,264	1,9	1,333,528	—31,495	54,210	41,055		
1941 General Security...	500,000	1,528,664	2,711,882	1,9	2,534,801	—66,520	127,616	31,309		
1918 Hudson	600,000	354,869	783,086	2,4	732,703	—113,648	40,418	28,379		
1909 *International	1,000,000	3,162,447	3,024,601	2,6	2,752,740	—15,513	232,009	324,419		
1920 *Inter-Ocean Re...	500,000	1,359,868	3,700,619	1,9	2,937,779	—13,357	170,239	111,220	50,000	10
1920 *Metro. Fire Re...	400,000	719,966	2,466,969	1,6	2,301,385	—48,310	109,436	40,272	36,000	9
1929 *Nat'l. Reins...	1,000,000	4,760,870	693,960	7,1	909,547	—31,346	185,639	10,664		
1940 N. A. F. & M. Re...	1,000,000	1,003,311	59,923	24,8	83,247	—13,492	49,325	18,199		
1919 *Northeastern	1,500,000	920,065	3,833,340	1,3	4,848,566	166,522	184,075	96,026		
1925 *North Star Re...	1,000,000	2,167,275	4,261,280	1,7	4,438,420	—97,124	161,600	163,835		
1922 Prudential	600,000	1,245,009	5,510,159	2,1	3,497,793	83,320	248,310	191,585	60,000	10
1936 *Reins. Corp., N. Y.	1,530,000	3,315,774	1,971,132	2,6	2,609,757	—69,415	239,022	242,666	191,260	12½
1942 Unity Fire	250,000	835,219	74,717	14,4	80,994	—36,449	6,614	—82,595		
Total, 1942 (17 Co.'s)	12,385,300	25,046,474	35,995,431	2,1	34,907,273	—429,858	2,159,989	1,300,601	337,260	
Total, 1941 (15 Co.'s)	12,045,000	20,941,255	34,186,413	1,9	34,668,672	—1,761,329	2,242,950	—758,567	739,510	
Total, 1940 (14 Co.'s)	12,245,000	21,984,209	26,665,722	2,4	26,429,052	—1,948,911	2,011,275	—864,822	969,810	
Total, 1939 (12 Co.'s)	10,745,000	25,212,609	20,557,473	3,2	17,721,956	—138,983	1,761,469	1,068,445	1,883,486	
Total, 1938 (10 Co.'s)	9,145,000	19,418,765	20,864,045	2,7	18,281,086	—965,009	1,742,215	4,009,146	1,345,590	
Total, 1937 (10 Co.'s)	9,045,000	17,978,040	20,325,537	2,4	19,378,477	—194,645	2,237,501	7,562,596	1,511,048	
Total, 1936 (9 Co.'s)	7,515,000	20,387,422	18,063,634	2,6	17,324,048	156,408	1,753,778	4,996,232	1,671,196	
Total, 1935 (9 Co.'s)	7,515,000	16,958,507	17,547,208	2,4	17,155,871	672,017	1,569,970	4,502,976	966,000	
Total, 1934 (12 Co.'s)	7,515,000	12,760,846	17,653,573	2,1	17,672,580	1,190,385	1,678,437	—883,947	776,000	
Total, 1933 (9 Co.'s)	7,515,000	12,712,784	18,253,788	2,4	16,045,315	2,288,822	1,550,838	—4,235,800	529,000	

Foreign Group	Capital	Surplus	Underwrit. Reserves	Cover	Net Premiums	Underwrit. Bal.	Invest.	Official Inv.	Profit or Loss	Trans. to Home Office (Net)
U.S.A. Company	a	b	c	a, b, c	Written e	Earned	(Offic.)	Income	or Loss	
1934 French Un. & Univ.	586,781	4,324	2,052	1,7	2,817,921	2,368,991	—814,766	29,396	17,514	
1937 La Paternelle	508,425	488			1,035,737	1,010,260	—6,317	16,420	6,711	
1930 Skandia	1,177,946			1,7	2,817,921	2,368,991	—164,492	112,925	49,082	8,734
1916 Skandinavia	849,350	1,194,684		2,0	1,035,737	1,010,260	—32,380	52,031	23,534	
1910 Swiss Reinsurance	7,662,349	11,216,773		2,1	9,083,887	6,977,026	—396,627	435,932	265,450	3,600
1910 Union & Phenix	862,305	868,775		2,2	778,814	676,166	118	61,381	120,479	200,000
1913 Urbaine	1,081,762	4,274	2,186	1,8	2,817,921	2,368,991	—16,545	42,862	33,962	
Total, 1942 (7 Co.'s)	13,039,518	16,856,526		2,2	17,117,325	11,052,498	—1,231,009	750,947	516,733	212,334
Total, 1941 (8 Co.'s)	15,190,285	13,086,250		2,9	9,449,188	9,395,347	—817,514	778,719	199,160	67,864
Total, 1940 (9 Co.'s)	18,057,333	15,873,393		2,7	12,792,825	12,642,338	—100,931	957,402	—59,898	713,080
Total, 1939 (11 Co.'s)	20,573,000	16,854,922		2,7	14,383,999	14,275,227	28,443	1,283,082	1,702,395	436,782
Total, 1938 (11 Co.'s)	19,820,461	17,091,588		2,6	14,944,140	14,144,863	274,968	1,241,991	819,915	596,016
Total, 1937 (11 Co.'s)	19,030,717	17,385,986		2,4	15,228,216	14,297,911	541,912	1,532,395	—1,817,364	1,640,838
Total, 1936 (11 Co.'s)	21,554,919	16,500,986		2,7	13,858,163	13,961,742	737,824	1,532,928	3,355,018	667,486
Total, 1935 (12 Co.'s)	18,575,238	16,886,331		2,4	14,636,602	15,103,271	1,983,715	1,476,793	2,603,413	2,854,135
Total, 1934 (12 Co.'s)	17,129,094	17,631,644		2,3	15,037,348	16,176,358	1,988,576	1,647,223	1,706,077	3,368,216
Total, 1933 (12 Co.'s)	17,754,972	19,701,879		2,3	16,056,879	16,678,026	2,617,310	1,649,153	—1,080,383	2,101,016

†Premium and loss reserves.
*U. S. owned.

Standardization of Certain Reinsurance Clauses Urged

By E. C. WERNER
Vice-president Eagle Fire of
New Jersey

If it were possible to bring about standardization of the fire reinsurance contract the result would be impractical and consequently of little value. Reinsurance requirements are seldom identical in every respect for many good reasons, and this feature alone is enough to preclude the possibility of there ever being a complete standard contract for daily use. However, there is always present in the usual form of agreement certain clauses that apply no matter what particular type of cover is involved. These can be made standard, and as such should always be acceptable to all concerned.

For instance, it would be a simple matter indeed to agree on one standard time clause. Instead of the several different expressions, could not the following be adopted:

"All cessions under this agreement shall be effective at noon, standard time."

Would Be a Starting Point

Granted that this would be a very small achievement in relation to the rest of the task, but at least it would be a starting point. From there, we can go on to the arbitration provision as another example. The many varied versions of this clause usually, when condensed, stipulate that each party to the agreement shall appoint an arbiter to represent their interest and said two arbiters shall elect an umpire before commencing arbitration proceedings. Qualifications of the arbiters, time limits for their designation and such other details of minor importance could easily be worked into a satisfactory model.

The same course could also be pursued to various other portions of the contract, such as the insolvency provision, right to inspect records, minimum retention, loss liability, and accounting procedure. The foregoing represent some of the clauses that can be made concurrent and still retain the necessary wording to make them suitable for inclusion in any treaty.

Provisions Vary by State

Insolvency provisions in reinsurance contracts vary by state. Section 77 of the New York insurance code provides that reinsurance companies are liable to the insured rather than to the ceding company if the latter goes into bankruptcy. That is, a reinsurer cannot limit its loss payment to the basis on which the insolvent carrier settles its claims. Some other states have such a provision and others do not. A standard clause could provide that if any state law was counter to the provisions of the clause the law would hold good, superseding the standard clause.

All the clauses which are used to comply with the New York law on this point or similar laws of other states mean the same thing but they vary in wording, often following the court's or referee's decision in some particular area. There is no valid reason why the one best wording should not be evolved and the sooner such a wording is put into general use the better.

As to the right to inspect records, this is just a matter of working out a generally acceptable wording. Usually this clause reads about as follows: "The reinsurer has the right to inspect all documents and records pertaining to any cession under this agreement at any time during the life of this contract." Some reinsurance agreements specify that this shall be at the convenience of the ceding company and some do not.

A uniform clause respecting minimum retention might be a little harder to

obtain. This clause might provide that "it is understood and agreed that the reinsured shall retain a minimum of \$..... on the identical risk and hazard." The words "and hazard" are important. Previously they were often not included but a case came up in which a company ceded the fire risk on a certain piece of property but retained the windstorm coverage. There was a high degree of fire hazard and very little windstorm hazard. If the words



E. C. WERNER

"and hazard" are not used the word "risk" in the clause can be interpreted as meaning the physical property rather than the peril insured against, which was what the reinsurer intended.

There would be a good many differences of opinion regarding the ideal wording for the loss liability clause but it should still be possible to evolve one which could be modified where necessary to fit special situations. Of course any loss sustained by the reinsured company is binding on the reinsurer, who must follow the settlement of the ceding company. The loss liability clause would have to take into account whether salaries of employees or officers of the ceding company are to be excluded from loss expenses chargeable to the reinsurer, as practice varies on this point. Some companies maintain their own loss adjustment departments instead of having this work done by outside organizations.

As for accounting procedure, the main variable feature would be the number of days after closing when balances are to be paid. A blank space could be left to fill in what was suitable.

Like Standard Policy Procedure

Consider the original policy form in use today. Because the basic clauses are standard, they can be set forth on the document when it is printed. Then, when one is written up, it is only a matter of filling in the information applicable to the particular risk covered and the policy is complete. This procedure could very well be copied and fitted to the reinsurance agreement since the same logic applies.

It would not be necessary to attempt the entire job at first, nor would it be prudent. So many endeavors along these lines failed at the start because they tried to embrace the whole reform at once. If the same mistake is not to be made again, it is apparent that every clause involved must be dealt with singly and given meticulous attention. All recommendations of interested parties should have careful con-

(CONTINUED ON PAGE 23)

Treaty Reinsurance of FIRE and ALLIED LINES

EAGLE FIRE INSURANCE COMPANY

(OF NEW JERSEY)

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Reinsurance

FIRE AND
ALLIED LINES



90 JOHN STREET • NEW YORK

JAMES Y. MILNE, PRESIDENT

EDITORIAL COMMENT

Letting Suggestions Sink In

Judge John B. Gontrum of Baltimore, former insurance commissioner of Maryland, in his talk before the National Association of Insurance Commissioners said that one lesson he had learned while being in the latter office was the danger in reaching hasty conclusions and passing legislation that may be unwise or impractical. He stated that he had made suggestions to the commissioners body which he still feels were thoroughly sound and should be adopted.

However, it was evident that the other commissioners did not think as he did.

It is always unwise to attempt to force legislation where the majority has not yet made up its mind as to its advisability. He cautioned, therefore, against undue speed in taking action unless a real emergency should arise. Deliberation, study and research should be called into play in any proposal that is made. Half-digested plans soon cause dis-temper.

Walkie-Talkie Method

Those who heard Vice-president A. W. Page of American Telephone & Telegraph Co. in his address before the Association of Life Insurance Presidents in New York City could not but appreciate his knowledge of public psychology. His long training in different lines of endeavor and his work of eliciting the interest of the people in his organization gives him an acute sense of divining public opinion.

For many years he has been deeply concerned with the problems of human interest and therefore his point of view as to public relations is not purely academic but perfectly practical. For example, in speaking of the insurance business he advocated what he called the "walkie-talkie" method. By that he meant that more cultivation could be made by insurance people themselves than by any other means in creating interest in what they were doing. He believes that the initial move of the insurance industry up and down the line in its public relations program should be to educate its own people as to the fundamentals of the business, its contribution to society and its importance in business, commercial and personal activities.

He thinks that the people at large would oppose federal regulation of insurance if they were acquainted with what it would bring about and what it would destroy. Mr. Page does not distrust the public if it is given the facts. Business, he avers, should go along with the public but the public should be informed and enlightened.

Take a clerk in an insurance office. His or her friends may inquire in what line of work he or she is engaged. If the reply is "I'm in an insurance office," the rejoinder very likely will be "Oh, you are in the insurance racket" or "You are in the insurance game." The clerk does not possess sufficient information to combat this slur. Therefore, the

clerk keeps silent. The opportunity was present for the clerk to do some missionary work but the education of the clerks themselves had been overlooked and insurance did not appreciate the great value of a personnel interested in its own business and having sufficient information to defend it.

Mr. Page stated that some one in the insurance business knows every one in the United States. Now if every one in the insurance business knows what his business is about, believes in it, knows how to tell other people about it and wants to tell them, it would seem that the public could hardly escape being informed on this subject. Much of the opposition is purely imaginative, based on suspicious people. The wayfarer does not know what is going on in insurance offices. He concludes that officials are paid enormous salaries and that insurance is a business whose operations are conducted behind closed doors.

The "walkie-talkie" method of education constitutes a direct method of education through the public ear. If the story people are told seems to them logical, sound and good, they will listen to it and have faith in it.

As Mr. Page pointed out, there is no reason whatever why the public should not become acquainted with a number of interesting insurance features that today are more or less kept in the background. Mr. Page doubted, however, if the telling can be done effectively except by making the maximum use of every one in the business. To quote him "That means creating in them a faith, a confidence and pride in their profession constantly renewing it and providing them with ideas, imagination and help in their task of transmitting their knowledge to the public."

Mr. Page is very much convinced that the "walkie-talkie" plan of getting to the people is far more effective than any other medium. People will listen

to another one if he has something worth while to say and speaks with real conviction.

It would seem that Mr. Page has given a suggestion to insurance that is certainly well worth while. In fact, this plan of attack was emphasized by Edi-

tor J. C. O'Connor of the "Fire, Casualty & Surety Bulletins" of THE NATIONAL UNDERWRITER at the meeting of the Insurance Advertising Conference in New York City some weeks ago. As Mr. O'Connor put it, this is the first big job that insurance should undertake.

PERSONAL SIDE OF THE BUSINESS

Benjamin Rush, Jr., vice-president of Indemnity of North America, has been appointed chairman of the southeastern Pennsylvania chapter of Red Cross. As chairman of last year's Red Cross fund he actively directed a campaign which raised \$4,043,749. Recently, he was made a member of the "Gallon Club" because of eight donations to the Red Cross blood bank.

Grenville M. Parker, Hartford manager of North America, has become a member of the Quarter Century Club through having served the company for 25 years. He entered the employ after the armistice in 1918 in the New England department at Hartford, and has advanced through various positions to manager of the service office of all the companies in the group. He is the son of the late Charles E. Parker, who for many years was New England manager of the North America group.

William T. Read, who is retiring as president of Camden Fire to become chairman, was born in Camden in 1878. His grandfather was John S. Read, one of the founders of Camden Fire. W. T. Read is a graduate of the University of Pennsylvania in 1900 and later entered law school there. He was admitted to the bar in 1903. He served two terms as state senator from Camden county and was New Jersey state treasurer from 1916 to 1928. He had been a director of Camden since 1912 and in 1928 became vice-president and was elected president in 1930.

The new president, **John F. Gilliams**, was born in Philadelphia in 1886. He started in the insurance business in 1901 as an office boy with Girard Fire & Marine and later became special agent. In 1911 he went with Camden Fire as special agent and was elected assistant secretary in 1917, secretary in 1920 and vice-president in 1924. He has been a director since 1929.

Mr. Gilliams is chairman of the fire prevention and engineering standards committee of the National Board. He was a member of the executive committee of the National Board 1937-1940 and is a member of its committee on construction of buildings. In the E.U.A. he is a member of the agency committee, also of the status of agencies committee and of the New Jersey conference committee.

M. B. Breeding, vice-president Oklahoma Association of Insurance Agents, had a double celebration this Christmas, following the arrival of twins in the home of his son, Major Charles N. Breeding, stationed at Maxwell Field, Montgomery, Ala.

Charles F. Clise, president of Clise & Cumins agency, Seattle, has been nominated for president of the Seattle Chamber of Commerce. Mr. Clise has been serving as vice-president. He will

succeed another insurance man in the office, **D. K. MacDonald**, head of a brokerage firm.

D. P. Lemen, president of Queen City Fire of Sioux Falls, S. D., is recovering from a heart attack at McKennen hospital, where his condition is reported as favorable.

Charles E. Slusser, the newly elected mayor of Akron, is head of the Charles E. Slusser local agency.

Will H. Harrison, veteran Iowa state agent of National Fire, has returned to his home in Des Moines following a major operation at Rochester, Minn. He is reported as showing a gradual improvement.

Harry G. Sawtelle of the Sawtelle-Steingruber Co. agency, St. Louis, suffered a broken hip in a fall. He is in St. Luke's Hospital.

W. W. Hamilton, manager of the Chicago Board, is vacationing at Birmingham, Ala.

DEATHS

William M. Grover, treasurer of the American group, died in Orange Memorial hospital, following an operation performed several weeks ago. He was born in Newark, July 1, 1887, was educated in the public and high schools of East Orange, and went with Firemen's in 1904. After serving in various departments, he resigned in 1926 to help organize Bankers Indemnity, of which he became assistant treasurer. He was promoted to treasurer, a position he continued when control was acquired by American. In 1933 he was elected treasurer of American, Columbia and Dixie.

Mr. Grover is survived by his widow, the former Mae Senior, daughter of Joseph H. Senior, vice-president and director Standard Oil of New Jersey, and two sons.

Alexander C. Maxfield, 66, president of the Cathcart & Maxfield agency, St. Paul, died there. He had lived his entire life in St. Paul. H. S. Matteson, secretary of the Insurance Exchange of St. Paul, is manager of the Cathcart & Maxfield agency.

Daniel Zimmermann, 76, for nearly 50 years local agent at Waukesha, Wis., died of heart trouble and paralysis. He had been hospitalized for six months, following several years of poor health.

Mrs. Charlotte Goodell, 78, widow of George M. Goodell, who was dean of Lansing, Mich., agents at the time of his death seven months ago, died at her home there. She was the mother of Zelin and Ralph Goodell, who were associated with their father in the Dyer-Jenison-Barr Company and Lansing Insur-



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ance Agency and now operate those agencies.

Andrew J. Wall, 50, who had been with Jefferson National Life and Secured Fire & Marine in Indianapolis, died. He was rehabilitation service officer of the Military Order of Purple Heart.

Walter L. Forman, 48, at one time head adjuster of the Indianapolis office of Aetna Fire, died in Miami, Fla. He retired three years ago because of illness.

Mrs. Anna Meyer Dilhoff, wife of Joseph T. Dilhoff, prominent Cincinnati local agent, died. She was mother of Edward Dilhoff and Joseph H. Dilhoff, associated with their father in the agency, and Robert, who was also in the agency until he joined the military service. Mr. and Mrs. Dilhoff were planning to celebrate their 50th wedding anniversary Jan. 10. Joseph Dilhoff, Sr., has been a member of the Cincinnati Fire Underwriters Association for over 35 years. He has served on the board of trustees several times and has also been president of the association.

Fred L. Williams, 64, who had been with the Walter Muller agency, Peoria, Ill., for some time, died there.

John W. Fairbanks of the Nibler & Fairbanks agency, Springfield, Mo., died there following a heart attack. A son, John H., has long been with the St. Louis office of the Missouri Inspection Bureau.

Arch C. Wilson, 64, of the Wilson-Weibling Co. agency, Youngstown, O., died from a cerebral hemorrhage. He had been in the insurance business since 1922.

Charles H. C. Burlingame, who retired a number of years ago as chief clerk in the western department of American at Rockford, Ill., died on Christmas day while visiting his son-in-law and daughter, Mr. and Mrs. Chester A. Hofer at Freeport, Ill. Mr. Burlingame was 89 years of age.

Mr. Burlingame was employed by American in 1899. He continued his active duties as chief clerk until Jan. 1, 1939, after having completed 40 years of service with the company. He was then 84 years of age.

Lyle E. Douglass, 54, for 23 years Waukesha, Wis., local agent, was killed in an automobile accident.

Guy R. Winegarner, 61, claim adjuster for Automobile, died at his home in Columbus after an illness of several weeks. Burial was at Reynoldsburg, O.

Alex McMillan, Sr., 84, the founder and operator for 40 years of Alex McMillan Co. agency, Knoxville, Tenn., died from the infirmities of age. Alex McMillan, Jr., is expected to continue the agency.

James T. Whiting, 82, former local agent at Mount Pleasant, Ia., died at his home there.

F. E. Whitlock, St. Louis manager of Newhouse & Sayre for seven years, is being inducted in the army this week.

Mutuals Put Burning Cost Plan on Reciprocal Basis

(CONTINUED FROM PAGE 16)

professional reinsurance market, domestic and Lloyds, their traditional practice has been to reinsure with one another. Until about 20 years ago, except for the local farm mutuals, etc., the leading mutual companies were either class insurers or those that operated within limited geographical territories and reinsurance arrangements were rather easily perfected. For instance a lumber mutual operating in the west would take reinsurance from a New England mutual and a New England company would cede its business to the lumber insurer. Each company was able to get via the reinsurance route an interest in business



"I know you'll get along very well. I've gotten along with scores of your predecessors... and some of them were pretty mean fellows."

that was entirely foreign to its direct business and there was no danger of becoming involved in the same loss through both direct and reinsurance commitments. Those reinsurance arrangements were on the pro rata basis.

In more recent years the class mutuals have entered the general lines and have extended themselves geographically and many of the mutuals that confined their attention to small territory have expanded across the continent. Hence complications developed in the pro rata reinsurance trade in the mutual field. These companies that formerly followed separate lines have insofar as direct writing is concerned now found that they are in an identical field and are operating through the same agencies. A company might have 20 cessions on a risk and find that eight of them "kicked back." In other words eight of the companies had a direct line on the risk and were not in a position to assume reinsurance. Then in attempting to get reinsurance from other sources there might be further "kick back" and before the line could be completed it might have been bouncing around for as long as three weeks.

It was out of this unsatisfactory condition that these Carpenter plan reciprocal arrangements developed and so far at least the mutual companies seem very well satisfied with the new procedure. What they regard as an incidental advantage is the elimination of a great deal of detail work that is necessary in pro rata reinsurance, this advantage being particularly conspicuous during this period of manpower shortage.

What at first blush appears to be a contradiction is the fact that those professional stock reinsurance companies that do business with mutuals are receiving more offerings of obligatory surplus line treaties from mutual companies than they have ever received before. That is a development that is going hand in hand with the increase in the operations of reciprocal burning cost pools in the mutual field. Those mutuals that become interested in such a pool still require a surplus line treaty to take care of their liability on lines that exceed the capacity of the pool. However, the amount of premium to be passed off under such a reduced treaty is comparatively small and a mutual company that

has had a reciprocal pro rata treaty with some other mutual company may find that the trade becomes unbalanced and the reinsurer is not satisfied to cede a good volume of its business and get back such a thin share from the other company. Hence the company that is a member of the mutual pool turns to a professional stock reinsurer for a first surplus treaty over the pool.

Then again a number of the mutual companies that have not gone into one of the burning cost pools but have nevertheless run into difficulties in connection with their reciprocal arrangements for treaty reinsurance are commencing to patronize the professional reinsurance market in increasing numbers.

Ziegler N. Y. President

William Ziegler, Jr., of Aetna Fire has been elected president of the Automobile Underwriters Club of New York. Vice-president is G. W. Owens, New York Underwriters; secretary, Charles Gosling, North America, and treasurer, D. W. Florence, Commercial Union.

Maj. Ralph W. Applegate, president of Casualty Mutual, Chicago, has been promoted to lieutenant-colonel. He entered service two years ago as a captain in the internal security division in Chicago, which is a branch of the 6th service command. In this he has been doing important work in connection with war plant inspections and prevention of sabotage. Colin Campbell, a director of Casualty Mutual, who is in the intelligence division of the 6th service command at Chicago, has been advanced to captain.

Excess Reinsurance Getting Smacked on Truck Cargo

(CONTINUED FROM PAGE 20)

treaty only where the insured bears the entire deductible. This would be quite a change and introduces a new exclusion but reinsurance excess underwriters to protect themselves are doing their utmost to include it in treaties.

Underwriters of direct writing companies are attempting to cure the inadequacy of rate based on gross re-

ceipts by confining their coverage to a figure running from \$5,000 to \$20,000 per unit and then charging an additional premium based on values where the latter run in excess of the figure named in the gross receipts policy. In many cases this is now being done, though sometimes the standard limit may be as high as \$50,000 or even \$75,000 per load. Underwriters are becoming more and more aware that the only sound basis is on a declaration of values rather than on gross receipts where values are likely to run exceptionally high.

Chicagoan Is Only Reinsurance Woman in U. S.

(CONTINUED FROM PAGE 20)

to take a part in the business world without sacrificing feminine qualities.

Mrs. Belcher was projected into the reinsurance business by the death of her husband, Rudolph Belcher. He had for many years been manager of the Western Insurance Bureau and then, after an interim, in 1930, established a facultative reinsurance office in Chicago, representing Eagle Fire of New Jersey. Just a month after he got started it was discovered that he had cancer. He was able to keep going for another year but Mrs. Belcher worked at his side, learning the business, so as to be able to carry on alone when that became necessary. In 1931 Mr. Belcher was no longer able to get to the office and Mrs. Belcher conducted the operations. Just 11 years ago in 1932, Mr. Belcher died and Mrs. Belcher was completely on her own.

Mrs. Belcher had the advantage of favorable personal acquaintance and friendship with a number of Chicago fire insurance executives, principally through attendance at Bureau conventions with her husband. That gave her an entree into the offices and that was an invaluable introduction to her task. But she was not trading on old associations by any means. She talked the language of insurance and she gained an increasing mastery of that particularly intricate phase of the business which is reinsurance. She extended her acquaintanceship, particularly among the examiners with whom she has daily business to transact.

Mrs. Belcher not only develops the business but she handles the detail and routine personally. Due to the help shortage she is getting along without a secretary and her desk is piled high with paper work. Owing to the unsatisfactory personnel situation in many of the offices, there are numerous inaccuracies in the forms that she gets and much of her time is consumed in getting the correct information.

Later Mrs. Belcher became the facultative representative at Chicago of Baltica and when that company was Americanized into the Constitution Reinsurance she continued to be its representative. She also added Unity Fire which is exclusively a professional reinsurance company.

Mrs. Belcher is this year president of the Insurance Distaff Executives Association, which is an organization of about 30 Chicago women who hold positions of executive responsibility. She is a native of Morrilton, Ark., and she obtained a bachelor's degree at Chicago Musical College.

Standardization of Certain Reinsurance Clauses Urged

(CONTINUED FROM PAGE 21)

sideration and legal opinion obtained as a final safeguard. The result of such painstaking toil could not fail to be successful. One by one, the various points would emerge, tailored to fit the most exacting requirements, and step by step they could be incorporated on to a standard form ready for attachment to any treaty. The finished product would be ample reward for whatever efforts were expended in its attainment.

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Limitations Are Placed in Group Disability Cover

Equitable Society Changes Reflect Increasingly Unsatisfactory Experience

Equitable Society has introduced a number of restrictions in its group A. & H., A. D. & D., hospital expense and surgical expense coverage. Many observers believe that this presages a general movement in the group field, inasmuch as group disability experience has been becoming increasingly unsatisfactory.

The loading for color and sex that may have been applied at the time the policy was written or renewed is frequently far less than the exposure very shortly thereafter. With married women entering into industry, there has been a great increase in maternity claims inasmuch as the common group provision is only a six weeks waiting period in connection with the maternity clause. The increase in number of older employees has caused an increase in disability claims and the most recent adverse factor is the increasing employment of disabled war veterans. The fact that weekly benefits may be keyed to total earnings makes the weekly indemnity extremely attractive to the female employees particularly and there has been an increase in malingering.

Under the Equitable changes, no employee will be eligible if 70 years of age or over and those attaining that age while insured under the new plan will have their certificates terminated. Such an age limitation provision was contained formerly in Equitable policies but it was eliminated some time ago. The maximum period for paying benefits under accident and health group cover will be 13 weeks with a seven day waiting period in each case. The amounts of weekly indemnity are to approximate 50% of the base pay for a 40-hour week, exclusive of overtime pay or bonuses. In groups of less than 100 employees the maximum payment per week is \$25. In connection with groups of less than 100 employees there will be a three month probationary period on original and new employees.

Group insurers have found that workers who are in bad physical condition will seek employment at plants where liberal disability plans exist and then very shortly go on the sick list and draw weekly indemnity. The three months' probationary period is probably intended to block such maneuvers.

There would still be a possibility of employers getting more liberal terms in the way of benefits but if that is desired, special home office approval will have to be obtained.

There have been rumors of a possibility of an increase in group disability rates on the part of the companies but Equitable Society appears to have decided to try to hold to the same basic rates and keep the experience in line by introducing limitations of coverage.

Oppose Wagner-Murray Bill

The Washington Association of Insurance Agents has adopted a resolution opposing the Wagner-Murray social security bill, holding that it would place a staggering financial burden on all people and at the same time limit and restrict the rights and privileges of citizens.

Current Casualty Trends Scanned by Employers Re

Because reinsurers necessarily keep a constant finger on the most vital pulsations of the casualty lines, the observations and conclusions of Employers Reinsurance of Kansas City were sought and present a very interesting commentary on what has been happening in 1943, and what trends will probably affect the future. The important lines of course are liability, compensation, accident and health, fidelity, surety and burglary.

Comments of various executives who specialize in these lines at the Kansas City office developed these interesting statements:

In the automobile liability lines, a sharp increase in the cost of paid-out loss cases began to be apparent in the first quarter of 1943, not only in fresh cases but in older claims delayed in payment till this year. Cause, inflationary tendencies among the claimants. This has been general in both the United States and Canada, and is due more to the state of mind than to actual changes in the type and severity of injury.

Throughout the year there has been an increase in the number of persons injured per accident, both in industrial and city group-riding and in cross-country driving.

Commercial Vehicles

Commercial vehicles, especially in the long-haul units, show a large increase in frequency and still larger in severity. Clients find that there are several factors in this condition: Mileage has been increased in many cases as much as 80% over normal, though the number of operating units has not greatly increased; all units run loaded to capacity, building up weight; many operators are inexperienced; equipment is not in best operating condition, due to lack of time, scarcity of maintenance personnel and replacement parts. Loss-cost still continues to follow mileage.

Frequent cases arise where broken down equipment has to be left on the highway, with added collisions, some due to lack of lighting as well as length of exposure, running often to more than a day.

Premium volume will be off about 25% for the year, most of the slump coming in eastern territory where rationing has laid off many private cars. In the mid-continent, volume has held up and in some localities increased; in the Pacific area, it is generally up. Of course, rate reductions have played a part in the loss of volume. Thousands of used cars have been sent from the east to the Pacific coast, affecting volume there appreciably.

Apprehension for 1944

Underwriters feel some apprehension for 1944, although 1943 loss ratios are apparently going to be satisfactory. The situation has in it all the factors that could make 1944 troublesome. In the past 90 days all carriers seem to be realizing that loss cost is steadily mounting, serious cases costing more. Many of the companies have insured classes of vehicles they did not formerly cover, and are getting some new experience that may not be happy.

In general liability lines increased loss cost is apparent, but these lines are not open to such violent changes as automobile, and the rates have not been lowered. Good experience is predicted with little apprehension for the future.

Compensation shows increases in severity, although generally no greater number of persons per accident are involved. Two of the active factors in growing compensation costs are the new and often hazardous processes (chemicals, for instance, involving fumes, and resulting dermatitis), and the fact that

most employees are drawing maximum wages and receive maximum compensation. There are a larger number of severe total permanent cases. While reinsurers get in on only the more severe cases, these increases are being definitely felt.

In the third-party liability and compensation lines, the carriers are alive to their obligation to the insured and are doing a splendid job of furnishing the required covers, making the best of their often unfavorable experience and going ahead notwithstanding inevitable apprehension for the future.

A. & H. Experience

Trends manifested by the experience of accident and health carriers served by Employers indicates a continued increase in premium volume and decrease in loss ratios. The decrease in loss ratios seems to be due primarily to a reduction in automobile travel and to wartime highway speed limits. High wages and full employment also have tended to reduce disability losses. It is interesting to note that losses from firearms, drowning, burns, gases, and rail travel, although minor factors, increased during 1943.

A post-war reversal of the loss ratio trend is anticipated by many underwriters but it is hoped that should a business "recession" accompany reconversion, the 20-point reduction in loss ratios experienced since 1933 will not be entirely wiped out. However, the business is probably better equipped to stand the shock of a business depression now than it was in the early thirties inasmuch as there is almost no non-cancellable coverage of the "wide open" type in force, there are relatively few "jumbo" risks, and the companies have carefully tried to restrict disability coverage to 80% or less of the insured's income, where the income discloses war inflation, thus rationing disability coverage out frugally.

Call for Reinsurance Advice

A decrease in automobile liability lines has caused many carriers to enter the accident and health field during the past two years with a correspondingly heavy call on reinsurers for analytical, rate building, and reinsurance advice. Innovations in accident and health coverage continue to appear. Hospitalization coverage has been a more important contributor toward premium volume of direct writing companies than ever before.

American companies have not as yet shown much inclination to solicit accident and health business abroad, al-

(CONTINUED ON PAGE 30)

Lloyds Twin Policy Brings Litigation

SEATTLE—Superior Judge Batchelor has dismissed habeas corpus proceedings brought by Mr. and Mrs. Selom F. Burns, calling upon Providence Hospital to produce the body of a twin daughter born to the Burnses July 9. Although London Lloyds was not a party to the suit, testimony was introduced to show that the plaintiff had purchased an \$1,800 twin insurance policy for a \$50 premium. One of the twins, also a girl, survived. No loss was paid as it was held that both twins did not live at least 24 hours.

The new-born baby, Judge Batchelor ruled in dismissing the suit, died less than eight hours after birth. As habeas corpus proceedings apply only to living persons, and as the court said he was satisfied beyond all reasonable doubt that the child had died, the court was without jurisdiction.

N. Y. Department Refuses Recognition of Four-Way Plan

Superintendent Dineen Rules Stock Companies' Filing Not Effective

NEW YORK—Superintendent Dineen has ruled that because the stock companies delegation of rate filing power to the New York Compensation Insurance Rating Board is still in effect the New York department cannot recognize the filing of the four option workmen's compensation rating plan made by the stock companies after the rating board turned it down.

However, in his letter to Manager William Leslie of the National Bureau of Casualty & Surety Underwriters, Mr. Dineen promised that at a public hearing to be called later for a reexploration of existing rating plans, the scope of the stock companies' proposal and the mutuals' modification of it, both of which the rating board rejected, would be examined.

Fully Aware of Problem

That Mr. Dineen is mindful of the problem created by the rating board voting set up which permits any two of the three groups represented, stock companies, mutuals and state fund, to stymie the proposal of the third group, is indicated by his statement that "It is manifest that some machinery should be provided giving the superintendent the power, in his discretion and upon his own motion or at the request of any person or group within a rating organization, majority or minority, to review any proposal rejected by the rating organization."

Mr. Dineen pointed out that properly conducted rating organizations fulfill a necessary public service and the assurance that any member's worthwhile proposal could ultimately be considered on its merits by the superintendent would furnish a strong incentive to join rating organizations and make use of their facilities.

Saying that nothing in his letter should be construed as a criticism of the basic form of the compensation rating board, Mr. Dineen observed that by joining in a single rating organization the compensation carriers may have lost some freedom of action but failure to adopt such a course might well have led to an irresistible demand for the creation of a state compensation rating board or even an all-inclusive state fund patterned after the Ohio plan.

Hope that the rating board might reconsider its adverse decision vanished this week when the governing committee, after a reconsideration requested by S. B. Perkins, secretary of Travelers, voted against the plan. The vote was a tie, stock companies supporting the plans, mutuals opposing them and the state fund not voting.

General Manager H. D. Sayer resolved the tie by voting against the plans.

Melvin F. Bergmann, 47, assistant secretary of American Fire of Washington, D. C., died of a heart attack at his home. He had been associated with the American Fire since 1922. His father, the late H. H. Bergmann, was at one time secretary of American Fire.

Tax Body Forms Insurance Group

**C. W. Tye Is Chairman—
Maneck Gives Paper at
Chicago Parley**

At the conference of the National Tax Association in Chicago recently an insurance round table was held for the first time. This was the first effort to bring the tax problems of insurance companies before this organization. It is hoped, in future years, to increase the activities of the insurance group at the tax conference and to give the insurance field its rightful place of importance in the national, state and local tax picture. Charles W. Tye, general counsel of Maryland Casualty, was chairman of the insurance session at Chicago. There is no formal organization among the insurance tax group although it has been suggested that the insurance companies might get together to discuss among themselves the multitudinous tax problems that confront them.

One of the speakers at the Chicago meeting was William Maneck of the tax division of Standard Accident.

Function of Tax Man

The function of a tax man of an insurance company is to save his employer from taxes over and above those legally required and he is a sentry to "see that no unlawful tax worms its way into the structure it is our duty to protect," he declared.

In carrying out this obligation, the tax department should be systematized in accordance with its growing importance.

The tax department should see to it that its calendars are legally up to date and that the company is adequately safeguarded against the penalties that will follow noncompliance with the law. It should also keep abreast of the law and assure itself that the taxes that are paid are rightfully and legally discharged. Most companies at one time or another have paid taxes for which there was no legal obligation either in whole or in part. They have also had to pay penalties exacted for noncompliance with law through carelessness. These failures may have been the result of neglect in keeping up with tax regulations and changes in the law, failure to appreciate the importance of the job or a lack of systematic procedure.

At Standard Accident, he said, there is a realization of the necessity for an internal tax organization. Standard is faced with the necessity of relicensing annually in each of the 48 states and in Hawaii and in Alaska. In addition to the actual payment of taxes and fees a multitude of statistical information must accompany the remittance, all of which should flow smoothly through the tax department.

Workable Tax Calendar

Standard constructed a workable tax calendar based on records over a number of years. It lists the manifold taxes to be paid and returns to be filed each month. Taxes are listed under their special headings such as premium taxes, sales and use taxes, income, social security, personal property, municipal licenses, real estate, franchise, state licenses, and miscellaneous. Columns are provided for the name of state, description of return or payment, due date, date mailed or paid, amount paid, voucher number and comments. Each year the necessary corrections caused by changes in law are made. Obsolete items are eliminated and new taxes added. The legal department of which the tax division is a part advises the latter of changes in the law. In the past few years Standard has rarely if ever missed a tax date.

In order to avoid being saddled with taxes that are not owed, a tax committee has been operating since 1941. It

Gowdy Reelected President of Wash. Underwriters Unit

SEATTLE—All officers of the Underwriters Bureau of Washington were reelected at the annual meeting. J. W. Gowdy, Northwest Casualty, is president; A. O. Stuber, Massachusetts Bonding, vice-president; and Nelson Friday, American Automobile, and Russell L. Noble, Lumbermen's Mutual Casualty, are trustees. J. E. Charbonnel, Fireman's Fund Indemnity, is the only new trustee.

Bankers Indemnity Capital Increased to \$1,000,000

Bankers Indemnity has increased its capital to \$1,000,000 by transfer of \$200,000 from surplus account in the form of a stock dividend.

As of Dec. 31, 1943, Bankers Indemnity will have a capital of \$1,000,000 and a surplus of \$1,000,000. It also maintains a substantial general voluntary reserve.

Jefferson City Hearing Jan. 6

At hearings in Jefferson City, Mo., beginning Jan. 6, attorneys for the fire companies involved in Attorney-general McKittrick's anti-trust suit will put into the record the rating laws of several midwest states, figures showing the percentage of Missouri business of the companies as compared with their national business, and comparisons of premiums by lines and total premiums.

Lt. Col. W. E. Harrington has been appointed to the staff of the price adjustment board, the War department has announced. He is chief of the sealed operations branch of the renegotiations division. Col. Harrington is a member of the Spratlin, Harrington & Thomas agency at Atlanta but he has been located in Washington since shortly after the war started.

conducts studies of tax matters, conducts round table discussions of representative men from each department. The committee meets monthly and the taxes for the following month are discussed and, if in order, passed for payment. In this way all company tax problems are correlated.

Tax files are treated with especial vigilance. The work sheets are very carefully designed.

Municipal licenses, he said, if not carefully watched, can become a considerable tax burden. Such taxes fortunately, he declared, are limited to nine or 10 southern states. Standard maintains records covering a good many years in this field. The agency department has prepared a duplicate set of agency appointment cards covering the particular states. On the obverse there is a running record of the municipal licenses required of insurers by the city or town in which the agent has his business. This record contains information as to year covered by license, amount of license, date due, date paid and voucher number. Each month as new agency appointments are made, the tax division receives a copy of the appointment card and if the municipality in which this agent is located requires a license, such record is set up on the obverse. Likewise when an agency is canceled the tax division is notified. Separate license files for each municipality contain the ordinance under which the tax is imposed, a license authorizing Standard to do business and any correspondence with the local authorities or agent. Before such licenses are paid they are carefully checked by the legal department to see if they are in order.

Sell disability with "Seven Good Reasons Why" folder. Get samples from The A. & H. Bulletins, 420 E. 4th St., Cincinnati 2, Ohio.

Pa. Casualty Opens Western Unit

**Chicago Department in
Charge of Mankin;
Owsley Assistant**

Pennsylvania Casualty has opened a western department office at A-1301-09

Insurance Exchange building in Chicago with Howard E. Mankin as resident vice-president and Sharran Owsley, as assistant manager.

The arrangements were perfected during a recent visit to Chicago by Vice-president Lester F. Beck who until recently was chief of the navy insurance division. Pennsylvania Casualty is owned by Commercial Credit Co. of Baltimore and an expansion program is now being undertaken.

Heretofore Pennsylvania Casualty has operated in Chicago on a general agency basis, through National Insurance Management Agency. Mr. Mankin is president of that agency and the offices have been in the same quarters in which the western department is now located.

Mr. Owsley has been in the insurance business for the past 25 years and for the past three years has been assistant secretary at the home office of Commercial Standard.

Additions to the underwriting and engineering staff at Chicago are being completed.

Mr. Mankin for the past three years has been president of the National Insurance Management Agency. Prior to that for three years he was Chicago and Cook county marine manager of Hartford Fire and for the previous four years was United States marine manager of Pacific National Fire. He went to Pacific National from the western department of Aetna Fire in which he was inland marine manager for four years.

Mr. Owsley was trained as an engineer and in his earlier days was with Home in Oklahoma and then served as Texas state agent for National Liberty. He then went with Commercial Standard as St. Louis manager and was later transferred to the home office. For a number of years he was a local agent in Oklahoma. He is well acquainted with various phases of the casualty business in Missouri, Indiana, Illinois and Kansas.

Name MacDonald A. & C. Surety Chief

Kenneth MacDonald, chief fidelity and surety underwriter for Accident & Casualty, has been appointed superintendent of that department at the home office in New York. He entered the insurance business in 1920 with Ocean Accident in New York. He became assistant manager of the bond department of Metropolitan Casualty and later acted in the same capacity for Southern Surety. When that company was placed in the hands of the New York department Mr. MacDonald joined the liquidation bureau as manager of the surety department of companies in liquidation and was later appointed administrative assistant to the deputy superintendent in charge of personnel and subsequently was chief of the closed proceedings and reinsurance division of the New York department. He joined Accident & Casualty in 1939.

Agency Admits New General Partners

**Conkling, Price & Webb
Promote Giff, Wigand,
Carpenter, Simpson**

Four men who are important factors in the Conkling, Price & Webb agency of Chicago and who have heretofore been associate partners, have now been admitted to general partnership in the agency. They are William C. Wigand, the auditor, who has been with the organization about 25 years; Harold W. Giff, casualty underwriter, 31 years with C. P. & W.; Kyle E. Simpson, Illinois state agent and production man, seven years, and Leslie J. Carpenter, office manager and manager of the burglary underwriting division, 25 years.

Careers of the New Partners

Mr. Wigand was connected with the United States department of the London Guarantee & Accident when it was located in Chicago, being in the accounting department. He spent 12 years in its service. He was with the accounting and payroll divisions. He is the chief accountant in the C. P. & W. office.

Mr. Giff started with Conkling, Price & Webb as an office boy. He is the chief underwriter and has a comprehensive knowledge of the business. Mr. Simpson was born and bred in the insurance business, his father having been with the Travelers and he has two brothers in insurance. He came to Conkling, Price & Webb to succeed R. W. Miller as state agent when he resigned. Mr. Simpson was formerly manager of the National Bureau of Casualty & Surety Underwriters for Iowa with headquarters at Des Moines. He was inducted into that work and trained by Peter Malah, now manager of the Chicago department who was then manager at Indianapolis. He had been connected with the Travelers at its Indianapolis office. He had charge for a while of the inland marine department of the London Guarantee's fire affiliates, in Chicago, the chief being the Phoenix Assurance. He had been with the London Guarantee & Accident before joining Conkling, Price & Webb.

Mr. Carpenter devotes a large amount of his time to the personnel and his duties as office manager. He is an expert in burglary and plate glass insurance. He was with the Fidelity & Deposit for a few years prior to joining C.P.&W.

All the new partners are men well seasoned, well trained and schooled.

The senior partners are Lew H. Webb, L. W. Zonsius and W. T. Kline.

Cliff Johnston Elected in K. C.

KANSAS CITY—The Casualty & Surety Underwriters Association of Greater Kansas City elected the following officers at its annual meeting: President, Cliff Johnston of Cliff Johnston & Co.; vice-president, Ralph Leeds, manager U. S. F. & G.; second vice-president, P. H. Hawes, Speed Warner; secretary-treasurer, Walter Cook, H. V. Jones & Co.; executive committee, Glenn Packwood, manager Massachusetts Bonding, chairman; Moulton Green, R. B. Jones & Co.; Reneau Garr, Thomas McGee & Sons; Ross Heck, Aetna Casualty; Walter Heaney, Hartford Accident; Harold Hudson, Central Surety, and Nelson H. Aus, Hagerty-Aus Agency.

Shinderman Enters Army

Sidney Shinderman, superintendent in charge of glazing construction for the American Glass Company, Chicago, has resigned to go into the army for active duty. Mr. Shinderman, a nephew of Benjamin Beris, president of the American Glass Company, has been associated with him for the past 18 years.

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WORKMEN'S COMPENSATION

Tenn. Governor OK's 17% Rate Cut

Governor Cooper of Tennessee announces that he has approved the workmen's compensation rate settlement that was reached by Commissioner McCormack with the National Council on Compensation Insurance Dec. 3. The settlement was made subject to the approval of Governor Cooper and the secretary of state. Effective Jan. 1 each and every rate will be reduced a flat 17%. At the same time bonus overtime payroll is being eliminated from the base for calculating premiums.

Governor Cooper recalled that on July 1, 1943 the National Council filed a rating program that left in effect for the coming year the same rates that have been effective since July 1, 1941. The insurance department registered vigorous protest and the controversy attracted national attention, as Mr. McCormack raised a number of important issues of a general nature.

The governor pointed out that in 1941 the legislature increased compensation benefits, setting the minimum weekly benefit at \$7 instead of \$5 as in the past and the maximum at \$18 instead of \$16. Also the maximum recovery for medical and hospital fees was increased to \$500, it having been \$100 in the past. At that time the National Council demanded an

18.3% increase in rates but this was denied and an increase of 7.7% was put into effect to compensate for the increased benefits.

New Compensation Rating Plan Is Approved in Wis.

The Wisconsin department has approved the new workmen's compensation rating plan effective Jan. 1. The multiplier for Wisconsin is 1.026. Table 1 is the applicable table.

Oklahoma Fund Reduces Rates

OKLAHOMA CITY—Compensation rates of the Oklahoma state fund are to be reduced Jan. 1. The revision made recently by the fund managers permits reductions in the manual rate up to 15%. Governor Kerr says nearly all of those insuring with the fund are entitled to a 10% reduction.

Minn. Board Chairman Resigns

ST. PAUL—P. C. Reynolds, member of the Minnesota industrial commission and chairman of the Minnesota compensation board, is resigning Jan. 1 to enter private law practice. He became a member of the commission last July to fill a vacancy.

Mr. Reynolds is recognized as especially well informed on compensation insurance and specializes in that field in private practice.

& Quin general agency of Atlanta and before that was with Rhode Island.

Kibbie Assistant Iowa Director

George W. Kibbie has been appointed state director in Iowa by the State Farm companies. He has been district agent for the nine counties with headquarters in Davenport.

PERSONALS

P. R. Fahey has completed 24 years as editor of the "Aetnagram" of the Cleveland office of the Aetna Life companies. During that time he has gotten it out monthly without missing an issue. "Aetnagram" was originally intended for Ohio agents only but the mailing list has grown and includes Aetna managers, general agents, agency supervisors in almost every state.

George P. Hambrecht, 72, former chairman of the Wisconsin state industrial commission and a former director of the National Safety Council, died of a heart attack at his home in Madison, Wis., during a fire.

Levi N. Tillotson, 61, former Des Moines adjuster, died at Osceola, Ia., following a heart attack. He was with Fidelity & Casualty as adjuster in Des Moines from 1915 to 1922 and later maintained an adjusting office with Lee Black in Des Moines until 1942, when he retired to Osceola. He also represented Employers Mutual Casualty.

The Des Moines Casualty & Surety Club saw several army and navy news films at its December meeting.

To Test Ohio Financial Responsibility Statute

COLUMBUS, O. — Thomas Foley has filed suit in the common pleas court here to test the new Ohio financial responsibility act. He was arrested by a highway patrolman on a charge of driving while intoxicated and was fined \$50 and costs in the municipal court. As he was not able to give \$11,000 bond, his driving rights were suspended for three years. He charges that the law "is discriminatory, that it deprives persons of their property rights, and that the requirements as to suspensions of driving rights are excessive and unreasonable."

Wilkins Heads Combined Auto Dept. of Fireman's Fund

SAN FRANCISCO—Richard P. Wilkins, who has been with the Fireman's Fund group since 1921 and automobile superintendent and active in the production of indemnity lines in southern California, has been appointed manager of a consolidated automobile department at the head office in San Francisco. He is to have supervision over all forms of automobile insurance written by the companies.

OCD Bond Situation Clarified

In reporting in the Dec. 2 edition the meeting of the fire marshals section of the National Fire Protection Association in Chicago a statement was made that a surety bond for Col. Edward L. White, chief property officer in charge of the equipment of OCD, was applied for last February but had been issued only recently. Apparently the reporter at that meeting misunderstood what had been said in this connection which was that the local OCD boards had been slow in applying for their bonds. Col. White does not have a bond and is not required to have one.

W. U. A. Meeting Fixed

The annual meeting of the Western Underwriters Association has now been officially set to be held at the Drake Hotel in Chicago, April 4-5. The governing committee and others will meet the day before.

Ease Tax Burden on Mutuals Writing on Perpetual Plan

WASHINGTON—Section 129 of the new revenue bill as reported by the Senate finance committee provided, the committee says, for the taxability of mutual fire insurance companies "exclusively issuing perpetual or refundable single premium policies under section 204 of the code, relating to stock insurance companies other than life and mutual marine insurance companies, instead of as at present under the provisions of section 207 of the code, relating to mutual insurance companies other than life or marine."

The finance committee said that section 207, as amended by the revenue act of 1942 "affects companies issuing perpetual and single premium policies in a discriminatory manner."

Generally speaking, said the committee, the tax imposed by that section "is levied either on investment income at regular corporate rates, or on the gross amount of income from interest, dividends, rents, and net premiums (less certain deductions) at the rate of 1%, whichever tax is greater."

"No deductions are allowed from investment income for losses or general business expenses," the committee report continues. "The plan works equitably for companies issuing the ordinary type of short-term policies since their main income is from premiums and their losses and expenses are paid out of this income which is taxed only at the 1% rate."

"The perpetual companies however, derive by far the largest portion of their income from investment, and meet their losses and expenses from that fund. The denial of deduction for such losses and expenses results in an overstatement of their true income."

"This is corrected by applying to these companies the provisions of section 204 with slight adjustments. Principally these adjustments consist of excluding from gross income of such companies single deposit premiums received (but no payments of quotas or assessments), and of disallowing any deduction for dividends paid to policyholders."

Fraizer and Ekern Talk to Nebraska Bar Group

OMAHA, NEB.—Insurance Director Fraizer of Nebraska and Herman L. Ekern, former Wisconsin commissioner and now a Chicago attorney, specializing in insurance law, spoke before the insurance law section of the Nebraska Bar Association at its annual meeting here.

In discussing "Paul vs. Virginia," Mr. Fraizer compared the present efficiency of state regulation with the possibilities of federal overlordship, emphasizing the advantages that accrue to the people from the intimacy of state regulation as compared with federal regulation at long distance. Mr. Fraizer said that the anti-trust exemption bill now before Congress presented one of the few remaining opportunities to halt the movement toward decentralization of government.

Mr. Ekern discussed the question of what insurance proceeds are taxable as a part of the income tax, including taxes on amounts recovered from liability carriers through judgment or settlements and payments made on various types of policies. He also discussed estate, inheritance and gift tax.

Staunton with Engelhard & Co.

E. C. Staunton, who for the past several months has been with the W. C. Danne & Co. agency of Chicago, has now gone with Engelhard & Co. agency there. He will be in charge of development of inland marine business and will supervise the general marine operations of the agency. Prior to entering the agency field Mr. Staunton for six years was inland marine manager in the western department of Hartford Fire and prior to that was with Commercial Union.

ACCIDENT AND HEALTH

Los Angeles A. & H. Group Names Olsen as President

LOS ANGELES—The Accident & Health Managers Club of Los Angeles has elected these officers: President, Charles E. Olsen, Cass & Johansing; vice-president, Arthur Leonard, Hartford Accident; secretary-treasurer, W. Kenneth Smith, Southern California Underwriters; directors, A. D. Anderson, Occidental Life; Ralph W. Smith, Unity Mutual Life & Accident, and Byron D. Williams, Connecticut General Life.

The club held a joint Christmas meeting with the Casualty & Surety Fieldmen's Association of Southern California, following separate luncheons. J. T. Breckon, assistant director of the B.D.O., San Francisco, and Paul Sweeney, managers of the Insurance Exchange of Los Angeles, were guests of the field men.

To Oppose Compulsory Bill

BUFFALO—Joining western New York doctors and hospitals in their fight against a compulsory health insurance bill, the Buffalo Association of Accident & Health Underwriters has called a meeting for Jan. 12 to discuss ways of combating the bill.

Los Angeles Claim Men Elect

LOS ANGELES—The Life & Accident Claim Managers Association of Los Angeles has elected these officers: President, Eugene French, Fireman's Fund Indemnity; vice-president, Clyde H. Burgardt, Occidental Life; secretary, Howard L. Harris, Equitable Society; treasurer, Larry G. Burford, Pacific Mutual Life.

North American L. & C. Parley

North American Life & Casualty will hold a district agents meeting in Minneapolis, Jan. 7-8.

Discuss Meeting Objections

DALLAS—A round table discussion on "Meeting Objections" was conducted at a luncheon meeting of the Dallas Association of Accident & Health Underwriters. It was in charge of Ed Sharp, state agent of Fidelity Health & Accident. Emerson Davis, state man-

ager for Inter-Ocean Casualty, is delegate to the National A. & H. Association meeting in Des Moines with Travis Wallace, president Great American Reserve, as alternate.

The San Francisco Accident & Health Managers Club held its Christmas party and banquet Dec. 22.

CHANGES

American Indemnity Group Names Lutz in St. Louis

ST. LOUIS.—John F. Lutz, well known in St. Louis insurance circles, has been named to take charge of the underwriting department in the St. Louis office of American Indemnity and American Fire of Galveston.

H. E. Awtry will continue in charge of the claim department, while William M. Baldwin continues as state agent with supervision over the St. Louis metropolitan area, eastern Missouri and southern Illinois.

Mr. Lutz has had 30 years of experience in insurance. For seven years he was special agent here for the Loyalty group and before that for 11 years was chief clerk for the old Commonwealth Insurance Agency. He also was with American Central Fire for nine years when that company maintained its principal offices in St. Louis.

J. H. Lawson to Baltimore

Joseph H. Lawson, who has been connected with the casualty department of U. S. F. & G. in Chicago for the past 20 years, has resigned and is returning to his former home in Baltimore. On the eve of his departure, a group of Chicago agents entertained him at a farewell dinner and presented him with a watch.

Martin Joins Am. Indemnity

T. A. Martin has joined American Indemnity as special agent in North and South Carolina with headquarters at Columbia, S. C. He has had wide experience in the Carolinas field for many years. He was formerly with the Hurt

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Employers Reinsurance Scans Casualty Trends

(CONTINUED FROM PAGE 25)

though reinsurers are generally prepared to follow their treatyholders when a foray into foreign markets begins to appear logical and profitable. It is also probable that foreign reinsurers, particularly in continental Europe, may be so adversely affected by the war that American reinsurers may be called upon for assistance in the accident and health lines.

Rounding out 10 years of unprecedented upswing in volume of fidelity and surety business, the past two or three years have seen the crest of premiums in these lines, with the heavy program of war production. The manifold increase of government contracts, which were running heavily even before Pearl Harbor, reached its peak during 1942, and there has been a steady decrease with completion of the major part of these projects. It is generally expected that the impetus of this period with regard to miscellaneous surety bonds will carry over into peace-time production, and may even develop an increase with the resumption of normal industrial ac-

tivities. After a temporary drop in volume, surety business, however, should again show marked growth, not only in North America, but in the entire western hemisphere, and very probably overseas as well.

Push Fidelity Line

With reduction in surety anticipated, underwriters are seeking to offset it by pressing the fidelity and miscellaneous surety lines. Many general casualty companies are newly entering fidelity and surety, to offset loss of volume in automobile lines. While this will make some inroads on the volume of old surety companies, it should also lead to a wider understanding of underwriting in these lines, and result eventually in generally increased volume and service. With this broadened scope and the effort that is going into development of new business, underwriters are studiously simplifying forms, widening coverage, and endeavoring to meet fully the needs of the public.

Losses are being felt at this time, particularly in contract bonds, as a result of the slackening of underwriting rules and requirements in handling quickly the sudden heavy volume of surety in connection with war contracts. Contractors' business mushroomed, and they and

their sureties in many instances now face substantial losses due to items not originally contemplated and factors not in their control. Also, renegotiations and taxes are absorbing large parts of expected profits. While the dollar-loss in these cases will continue to come, on the whole the experience should be ultimately profitable for those sureties who have continued to exercise a fair measure of the underwriting caution learned from former operations.

Haste in accounting procedure and lack of trained man-power in audits, where green help has been necessarily used, is expected to result in some increase in fidelity losses, but this also should wash out in the general experience in fidelity lines as the peak of unusual operations passes.

In burglary lines, the outstanding development has been the new residence theft policy, covering on the premises and away from premises. This cover has been issued by many carriers seeking to recapture loss of volume in automobile lines and to offset reduction in burglary volume itself, which has come about largely through lowered rates. It is designed to meet competition of the floater covers, and its use is expected to be widespread.

Notwithstanding loss trends upward

in both frequency and amount in the regular burglary and robbery lines, loss ratio has continued to be satisfactory. The CDDD policy in the commercial burglary field, with its disappearance-and-destruction feature, and more complete general coverage, is a modern form that offers much to the insured in the larger lines and looks like a good underwriting venture for the carriers.

Food stamp losses in the early part of the year climaxed a series, but the stamps are now, of course, out of the national picture. Currently, the "hottest" commodity, burglary-wise, is liquor.

McVay Analyzes Questions Involved in S.E.U.A. Case

(CONTINUED FROM PAGE 2)

tion has acted as a clearing house for problems and exchange of experience and ideas in the matter of accounting and taxation and regulation, proceeding on the principle that the sovereign state has the power to lay down the conditions under which any corporation shall do business within the boundaries of the state.

Novel Procedure

No action has ever been taken by Congress, no action has ever been taken by the department of justice prior to the present pending case to subject the insurance business to the terms of the Sherman anti-trust act or the Clayton act, he said.

The S. E. U. A. indictment was founded upon acts which for years have been accepted as lawful and proper under state regulation. If the federal anti-trust laws are to be applied to insurance, Mr. McVay expressed the belief that the whole system of state regulation which contemplates the pooling of experience, scientific rating of risks by schedule classification must necessarily go out. The principle of anti-discrimination may be inconsistent. The scientific principle of coinsurance must fall and the safeguards against catastrophe losses be weakened. The issue is whether the whole system of state regulation and control shall be scrapped and the vast bureaucratic system of federal regulation substituted. Insurance is essentially a neighborhood business regardless of the fact that companies may operate in various states and may use the mails and the telegraph for transmission of information. The business is the making of personal contracts to indemnify for loss with individual insured, locally, through local representatives and in accord with local laws and customs, to be performed locally and subject to the jurisdiction of local courts covering property which has its situs within the jurisdiction of some one state.

Veterans Administration Payments \$30 Million

The Veterans Administration has paid out more than \$30,000,000 on account of disability and death incurred in the present war. Brig. Gen. Hines, administrator of veteran affairs, announces.

Of this sum \$8,223,000 had been paid out on account of disability pensions and \$8,443,000 in death pensions up to Nov. 30, 1943; while \$13,392,000 has gone to beneficiaries of National Service Life Insurance policies up to Oct. 31.


As of Nov. 30, disability pension claims totaling 102,444 cases arising out of the present war had been adjudicated, of which 33,742 had been allowed.

Pay 50% on Approved Claims

MADISON, WIS.—An order has been signed by Circuit Judge H. W. Sachtjen authorizing the payment of \$58,645 or 50% on approved claims of \$117,000 against the defunct Wisconsin Mutual, now being liquidated by Commissioner Duell. Claims filed against the automobile mutual total \$183,000, with \$117,000 approved, \$53,800 not allowed and \$12,000 in litigation.

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Each report is a complete case history of plate glass replacements made by us. We invite companies writing plate glass coverage in the Detroit area to make profitable use of the exclusive Peterson Survey Service in Detroit.

WRITE OR PHONE **Cadillac 3707**

PETERSON GLASS CO., 2833 JOHN R ST., DETROIT

You are invited to use our Service to help boost your income by reducing your plate glass loss ratio.



TO HELP YOU BUILD UP YOUR PREMIUM VOLUME

Your premium volume today is measured to a great extent by the type of co-operation and sales aids that your company can give you.

The American Motorists agent is equipped for easier, more effective wartime selling because . . .

AMICO is a multiple-line participating stock company providing insurance protection at a saving under dividend-paying policies. This helps you get and hold the business and offers a strong sales argument.

AMICO's miscellaneous lines (new, broad forms of personal accident, comprehensive personal liability, burglary and other forms of insurance) are boosting agents' premiums and opening opportunities for more business.

AMICO's advertising and plans of action set a course of work to do and tell how to regulate and route your

calls to save time and tires. They reach the buying public and help you make insurance fit into a streamlined wartime budget.

Find out about the franchise of this strong company in your community. Just write on your letterhead today.

Insurance Merchandising Plans to Help You Meet Local Conditions

Here is a list of some of the direct sales promotion helps offered by AMICO:

- Direct Mail Campaigns
- Stuffer Letters
- Newspaper Advertising Mats
- Radio Spot Announcements
- Booklets and Folders
- Property and Automobile Owners' Sales Letters
- Warning Posters
- Blotters
- Inserts and Other Sales Pieces
- Monthly Sales Pointers

AUTOMOBILE

BURGLARY

PUBLIC LIABILITY

PLATE GLASS

FIDELITY BONDS



BOILER AND MACHINERY

PERSONAL ACCIDENT

WORKMEN'S COMPENSATION

CHICAGO (40), Sheridan at Lawrence
NEW YORK (17), 342 Madison Avenue

PHILADELPHIA (7), 12 S. 12th Street
BOSTON (16), 260 Tremont Street

SAN FRANCISCO (4), Russ Building
LOS ANGELES (5), 2969 Wilshire Blvd.

ATLANTA (3), 41 Exchange Place
SYRACUSE (2), Syracuse-Kemper Ins. Bldg.

E. H. Forkel Heads National Fire Group

(CONTINUED FROM PAGE 3)

Mr. Zook was born in Kansas, was graduated from Baker University at Baldwin, Kan., and later took additional courses at Washburn College in Topeka and at Kansas University in Lawrence. In 1925 he entered a local agency in Ottawa, Kan., and joined National as special agent in Kansas in 1926. In 1935 he was transferred to Michigan as special agent and was appointed state agent in 1936. He was transferred to Chicago and appointed agency superintendent in February, 1941.

OK's Combination Forms in Me.

Commissioner Perkins of Maine has extended permission for the writing of combination automobile and comprehensive personal liability policies in the state. He requires that the agent must represent both companies; a description of the automobile must be given in the policy; the Maine automobile liability policy endorsement must be included; inasmuch as convertible collision coverage is not available in Maine, if included in the policy, it must be stamped out in

red and there must be included an endorsement providing that if either company cancels its coverage, the insured may cancel the balance of the coverages in the policy in which event he shall be entitled to a pro rata return premium.

Companies desiring to write this coverage must submit copies of their policies to the Maine department.

Cornman Made Agency Secretary

American Casualty has promoted C. F. Cornman to agency secretary at the home office. He has been with the company since 1924. He has served in the home office underwriting department, as field supervisor and as manager of the central Pennsylvania branch office.

Bjorness with Albert Ullman

Richard R. Bjorness has joined the Albert Ullman marine office as ocean cargo underwriter. For the last seven years he has been in the marine department of Commercial Union and prior to that was with North America and Willcox, Peck & Hughes.

Stephen C. Garrity, 52, for 10 years state fire marshal of Massachusetts until his voluntary retirement two weeks ago, died at his home in Lowell, Mass.

Hobbs Expects His Bill to Get Favorable Action

WASHINGTON—That the new year will see favorable action in Congress on his bill, H. R. 687, possibly in somewhat modified form, is the belief voiced by Rep. Hobbs of Alabama, to THE NATIONAL UNDERWRITER. The bill bars use of the U. S. mails to any insurance company writing business in any state without complying with the laws of that state.

Just before the holiday recess of Congress, Mr. Hobbs conferred with Rep. Weiss, Pa., chairman of a House post-office subcommittee to which the bill was referred a number of months ago. Hobbs says Weiss expressed the belief that something might be "worked out."

"I think there is a fair chance for the bill to be favorably reported," said Mr. Hobbs. "It may be modified somewhat, but I think it will approximate what I have in mind maybe, that is to prevent crooked insurance companies from preying upon Negroes and other members of low income groups. Many colored people in Alabama are being mulcted by such companies."

"I estimate that about 30% of the insurance written is no good," continued the Alabama Congressman.

When asked whether he had reference to life, fire, or what kind of insurance, he replied:

"I am thinking primarily of fly-by-night companies. When they get into trouble, they close up and reorganize and do business under another name. Some of them sell so-called 'Gold Seal' policies which are a beautiful lithograph job bearing a wonderful-looking seal. But the buyer is out of luck unless he reads the fine print and acts accordingly. To get any benefit under some of these policies one has to buried 'northeast by southwest,' with a persimmon in the mouth and a brass pin through the heart."

Mr. Hobbs said members of the Weiss sub-committee have held many conferences on his bill, in executive session, and with interested parties.

"Some insurance people are fighting the bill, others are not," he continued. "It is the same old sixes and sevens. A number of exemptions have been proposed from the penalty my bill provides. If all of these were agreed to, I suppose all insurance people would support the bill."

S.E.U.A. Adds Hail Cover to Wind at No Extra Charge

The windstorm rules of the South-eastern Underwriters Association have been amended to provide that in Alabama, Florida, Georgia, North Carolina and South Carolina hail damage liability may now be assumed under windstorm policies without additional charge, except in connection with hot houses or greenhouses. Companies may, if they desire, read the hail damage clause into existing windstorm policies. The change is effective Dec. 15.

Since the extended coverage endorsement already assumes hail damage liability it will not be necessary to attach the hail damage clause to policies to which the e.c. endorsement is attached.

N. J. Ocean Front Fire Loss About \$300,000

Fire which destroyed nearly three blocks and 1,000 feet of board walk along the ocean front at Wildwood, N. J., on Christmas Day caused total damage of \$300,000 to \$400,000 and will result in insurance losses totaling between \$250,000 and \$30,000, it is estimated. The first newspaper stories placed the total damage at \$1,000,000. The largest insurance loss is on the pier and theater which were insured for

Revenue Bill Report Made

WASHINGTON—Reporting on the revenue bill, the Senate finance committee says of section 112, providing for financial returns from certain non-profit tax-exempt organizations, that "the exemption of existing law is continued with respect to fraternal beneficiary societies, orders or associations (a) operating under the lodge system or for the exclusive benefit of the members of a fraternity itself operating under the lodge system; and (b) providing for the payment of life, sick, accident, or other benefits to the members of such society, order, or association or their dependents."

The Senate virtually repeats the House ways and means committee statement that many tax-exempt organizations are operating apartment houses, office buildings and other enterprises directly competing with concerns paying taxes on incomes derived from like organizations.

Apparently the requirement of annual financial returns extends to certain fire and casualty mutual insurance companies and many other organizations tax-exempt.

Freezing of S. S. Tax

Of the freezing of social security taxes recommended by the finance committee, its report says, "This has nothing to do with the question of expansion of social security benefits and coverage."

The report says further that when Congress, in 1939, changed the character of social security reserve funds, "putting them on a contingent or a pay-as-you-go basis, it recognized the difference in character between private insurance and public insurance, which is tax-supported."

The committee adds that "Congress obligates itself in the future to make whatever direct appropriations (in lieu of appropriations for interest on bonds in reserve) are necessary to maintain the full and complete solvency of the old-age and survivors benefits funds, because there could be no more solemn public trust."

"The statutory rule, requiring contingent reserves which are at least three times as large as the total cost of the system in any one of five subsequent years, is a complete measure of contingent protection and always gives congress at least five years' notice of any possibility of delinquency."

\$102,000 and were a total loss. Fire fighters were hampered by the fact that the wind, after first blowing the flames to the south, suddenly shifted and started blowing them to the north, necessitating a quick change in strategy. The theory is that the watchman at the pier may have collapsed from a heart attack and fallen across the gas stove with which he heated his shanty. His body was burned beyond recognition.

FIDELITY AND SURETY UNDERWRITER WANTED

Splendid opportunity available with large stock company group expanding bond department. Address T-76, care The National Underwriter, 175 West Jackson Blvd., Chicago 4, Illinois.

WANTED—SPECIAL AGENT

There is an opening for a qualified Casualty Fieldman with a leading Michigan company. Please address T-77, The National Underwriter, 175 W. Jackson Blvd., Chicago 4, Illinois.

MANUFACTURERS

Casualty Insurance Company

PHILADELPHIA

Rendering a CLAIM SERVICE that reflects credit upon its Agents



FULL COVERAGE AUTOMOBILE
SPECIAL AUTOMOBILE ACCIDENT

FIDELITY & SURETY BONDS

PLATE GLASS—LIABILITY

COMPENSATION

BURGLARY



Capital
\$1,200,000.00

Surplus
\$2,785,388.86

Assets
\$12,191,134.11

Offices in:
Baltimore
Chicago
Cincinnati
Cleveland
Columbus
Dallas
Denver
Des Moines
Detroit
Grand Rapids
Harrisburg
Indianapolis



Los Angeles
Louisville
Milwaukee
Minneapolis
Oklahoma City
Peoria
Philadelphia
Pittsburgh
Portland
San Francisco
Seattle
Topeka

INSURANCE NEWS BY SECTIONS

MIDDLE WESTERN STATES

Honor W. G. Chesnut on Retirement at K. C.

Walter G. Chesnut, retiring regional manager of Western Adjustment and formerly branch manager at Kansas City, was honored at a party in Kansas City, attended by 55 company executives and personnel. Clyde Kennedy of the Kansas City, Mo., office was in charge, and George C. Bredberg, Kansas City, Kan., manager, was master of ceremonies.

Assistant Manager J. H. Burlingame, Jr., of the head office in Chicago; Marvin Brownlow, manager of Underwriters Salvage, Chicago; Gordon Davis, Allied Mutual Fire Insurance Companies, who formerly was with Western Adjustment; A. B. Jones, manager of the St. Louis office, and Robert Glass, manager at Omaha, attended and spoke briefly.

Mr. Chesnut was presented a military watch by the local organization and a gold cigarette case by A. B. Jones, who heads the Regional Supervisors Association of Western Adjustment. Ben M. Butler, Kansas City branch manager, who succeeds Mr. Chesnut as branch and regional manager for Kansas and western Missouri, spoke.

Wis. Support on Anti-Trust Bill Is Urged

MILWAUKEE — Members of the Wisconsin Association of Insurance Agents are being bulletined by Secretary Hilda L. Rogers, Milwaukee, urging support for the passage of the Bailey-Van Nuys bills in line with the pledge of the association to back these bills, by contacting their representatives in Congress.

Set Forth Cincinnati Reclassification Details

CINCINNATI—Explaining the reclassification of this city from Class 3 to 2 a bulletin has been released by the Ohio Inspection Bureau which also outlines procedure to be followed in putting the reclassification into effect. Fire property damage rates on property located within corporate limits of the city were reduced as follows: Fireproof building 1%, contents .4%; brick buildings 4%, contents 2%; frame buildings 2%, contents 1%. The reductions apply to buildings having symbols specified in the bulletin. Reductions become effective Jan. 3 and apply to new business and renewals only.

The second paragraph of the bulletin shows classes of risks not subject to reduction. Included in this group are risks rated under dwelling house schedule whether or not specifically published. Cancellation is by short rate only. Canceling prorata and rewriting is limited to risks entitled to percentage reduction but only when specifically rated on and after Jan. 3.

Other classes of risks not subject to reduction include apartment house (non-fireproof), automatic sprinklered risks, contents of such buildings with specified symbols. The reductions do not apply to risks rated under dwelling schedule either schedule or such risks rated by bureau.

The Cincinnati Fire Underwriters Association released a bulletin to its members commenting about the changes. The bulletin calls attention to the fact that specifically published fire rates on property damage, extra expense, rent and use and occupancy are

void as of Jan. 3 and also explains if such rates are necessary for renewals or additional amounts, application must be made to the Ohio Inspection Bureau.

Hardware Mutual Loses S. D. Suit

A federal court jury in Sioux Falls, S. D., gave a judgment of \$32,340 in favor of Jacob Hieb, Inc., of Marion, S. D., and against Hardware Mutual of Minneapolis in a controversy.

The Hieb Corporation brought the suit to recover loss by fire which destroyed a store building Nov. 4, 1942. There was \$15,000 insurance on the building and \$21,000 on merchandise, fixtures and furniture.

Hardware Mutual denied liability on the grounds of legality of ownership, excessive claims and charged that the fire was set.

The Hieb Corporation introduced bills of sale and deeds in forming the corporation which they contended gave them an insurable interest. There was also testimony that transactions in the organization of the company were done with the knowledge of the agent writing the policies and there was a waiver by Hardware Mutual.

University Line Renewed

WICHITA—The University of Wichita insurance has been renewed by the Wichita Association of Insurance Agents for fire and extended coverage for five years. Values were increased about 15%, which will more than offset the reduction in rate on public properties made effective Sept. 1 in Kansas. The need for additional insurance was recognized by the regents of the university following a fire at the down town college of music last month, which resulted in an insurance loss of \$18,000. Being written under blanket form, the university was not a coinsurer of this loss, due to the 2% waiver of inventory. Considerable specific insurance has been written for faculty members of the school since this fire, as several lost expensive musical instruments, music scores and books that were owned personally and not included under the university coverage.

Organize Toledo Bond Drive

TOLEDO, O.—The Toledo Association of Life Underwriters and the Toledo Association of Insurance Agents have combined forces, under the supervision of Harry N. Wieting, Jr., Toledo manager Prudential, in planning the work of the industrial division in the fourth war loan campaign in Lucas county. Three committees have been organized. Caleb L. York, manager Equitable Society, heads the group which will solicit plants employing more than 100 persons; Albert L. Hosier, manager Metropolitan, firms with from 40 to 99 employees, and Mrs. Stephen K. Mahon, chairman of the women's division, will sell bonds in plants with fewer than 40 employees. Willard V. Swartzbaugh is coordinator of the payroll allotment division.

Joint Party in Wichita

The Dulaney, Johnston & Priest agency and Sheffer-Cunningham, Wichita adjusters, held a joint Christmas party for office employees and company field men who reside in Wichita. Frank T. Priest was master of ceremonies and read a cablegram from Lt. W. R. Piper, Jr., with the American air force in England, who has been on more than 30 missions to date. Lieut. Chas. W. Black, also of the army air force, wired from his base in Florida and Don Mannuel,

whom Mr. Priest described as the "all-American office boy" wrote from his base in California. Hughes Cunningham of Sheffer-Cunningham was Santa Claus. Among the gifts were bonus checks for employees.

Huron Hotel Destroyed

An early morning fire, believed to have started from spontaneous combustion in coal bins, completely destroyed the Royal hotel at Huron, S. D. Between 50 and 60 persons were registered but all of them escaped injury. The loss is estimated at \$100,000. Between \$10,000 and \$15,000 worth of records of the Beadle county agricultural adjustment administration were destroyed. This hotel was a historic landmark of Huron, having been constructed in 1889 when Huron entered the battle for the state capital, but Pierre won the capital fight before the building was completed.

Scholten Is Manitowoc President

MANITOWOC, WIS.—New officers of the Manitowoc Insurance Board elected are:

President, Edwin Scholten; vice-president, Louis Lensmeyer, and Frank Vraney, secretary-treasurer. Mr. Scholten succeeds Joseph Wolff who has been president for three terms and declined the office a fourth time. At the next meeting on Jan. 20 standing committees will be named.

Mich. Special Session Jan. 31

LANSING, MICH.—Governor Kelly has called a special session of the Michigan legislature for Jan. 31. Insurance men expect consideration of a measure to permit adoption of the new standard New York fire policy.

Commissioner Forbes requested the governor to include this subject and also asked that sanction be given to increasing the state fire fund ceiling from \$1,000,000 to \$5,000,000.

Reiterates Pledge to Service Men

CLEVELAND—The Insurance Board of Cleveland in a bulletin to members this week emphasized the resolution drawn up more than a year ago to protect the business of members called into service. There are now more than 70 of them.

In soliciting business, members of the board are asked to inquire if someone in service has been handling it, and if so, not to disturb it. This has been done in many instances.

Scholl Elected President

WATERTOWN, WIS.—The Insurance Underwriters Association of Jefferson County, Wis., at a meeting here, elected the following new officers: Henry L. Scholl, Watertown, president; Andrew Adler, Jefferson, vice-president; Arthur R. Setz, Waterloo, secretary-treasurer; and Mrs. Arline Greenwood, Lake Mills, and George Zoeller, Watertown, directors.

Dodge City Board Active

The Dodge City, Kan., Association of Insurance Agents had 100% attendance for its Christmas luncheon meeting. Dividends on board controlled business were distributed. Proper classification of member agencies for the state and National associations was considered. A surety managers' meeting and a public relations program are being planned. President Laurin W. Jones presided.

\$100,000 Kansas City Loss

KANSAS CITY—The temporary office building of the Pratt & Whitney engine manufacturing plant in southeast Kansas City burned with a total insur-

ance loss of approximately \$100,000. The loss will not interfere with operation of the remainder of the plant, which is scheduled for production in January.

Thompson Elected at Marion

MARION, O.—New officers of the Marion County Association of Insurance Agents are: W. W. Thompson, president; A. W. Kette, vice-president; Douglas Torrence, secretary-treasurer; P. H. Neidig and J. W. Llewellyn, retiring president, new directors.

NEWS BRIEFS

E. L. Stephenson, midwest manager of Associated Aviation Underwriters, will discuss "Aviation Insurance" before the Insurance Women of Milwaukee on Jan. 3. The next study course will begin Jan. 7, covering fire and allied lines. George Peacock, state agent Agricultural Fire, is discussion leader.

Ivan W. DeVoe, who since 1939 has operated a local agency at Lincoln, Neb., has returned to the life insurance business as field superintendent for Midwest Life of Lincoln. At one time he was agency manager for Bankers Life of Lincoln.

The educational course in public liability has been completed by the Minneapolis Insurance Women's Association and on Jan. 6 a three lesson course in compensation insurance will start. S. S. Larson, superintendent of claims U. S. F. & G., and C. G. Cedarleaf, manager New Amsterdam, conducted the public liability course. The association will hold its annual card party Jan. 10.

Leonard C. Lund, deputy insurance commissioner of Minnesota, and Sanford Herberg, engineer for the Fire Underwriters Inspection Bureau, Minneapolis, have been named ex-officio members of the building code committee of the League of Municipalities.

The Newton, Kan., Insurance Board held a special meeting at which Roy Molzen, chairman of the public insurance committee, reported on new activities of his committee.

R. B. Wolfe, president of the Hannan Agency of Detroit, celebrated his 20th anniversary simultaneously with the 60th anniversary of the agency itself. Mr. Wolfe joined the agency as a salesman shortly after the former war. It was founded in 1883 by the late W. W. Hannan.

Harry M. Gould, formerly with Etchen-Lutz Co., Toledo, O., and John C. Whelan, formerly with Harry King, have opened an agency there.

Henley & Co., a local agency, has been incorporated at Falls City, Neb., by John A. Henley and Sylvia Henley.

SOUTH

Richmond Losses of \$95,000

Loss from two fires in Richmond, Va., last week ran to nearly \$100,000. Destruction of eight tank cars of the Standard Oil Company filled with fuel oil caused a loss of \$50,000. There was a \$45,000 loss to the clothing section of Powell Bros. department store, including \$25,000 on stock and \$20,000 on the building.

Big Loss in Enid

ENID, OKLA.—Three buildings in the heart of the main business district here were destroyed by fire, Dec. 23, with losses estimated at \$150,000 by Fire Chief Leroy Searcy.

Back Bailey-Van Nuys Bills

ENID, OKLA.—The Enid Insurers Exchange has adopted a resolution requesting Oklahoma members of con-

gress to lend their active support to the Bailey-Van Nuys anti-trust exemption bills.

Virginia Agents' Leader in Red Cross Foreign Service

Caleb D. West, Jr., of Newport News, who is immediate past president of the Virginia Association of Insurance Agents, has been accepted for foreign service with the American Red Cross.

Mr. West reported in Washington on Dec. 20 for two weeks training duty, to be followed by a similar period of field training. Thereafter he expects to be sent to one of the foreign theaters for active field service.



C. D. West, Jr.

NEWS BRIEFS

About 150 attended the bosses day luncheon of the Insurance Women of Dallas. Miss Helen Webster, program chairman, introduced those at the head table and President Ruth A. Fredder extended greetings. The response was made by John A. Barr, president Dallas Insurance Agents Association. Mrs. Ella Mae Keith O'Brien gave a review of the play "Junior Miss."

T. J. Ellis, Oklahoma state fire marshal, has appointed Edgar Hutchinson of Allen assistant fire marshal to succeed the late J. E. Williams.

COAST

President Bach Appoints Cal. Association Directors

Ralph E. Bach, newly elected president of the California Association of Insurance Agents, has appointed the 12 directors who with the elective officers comprise the board.

Eight were reappointed, including Laurance Canfield, Santa Cruz; W. B. Glassick, Hollywood; Harold R. Hoff, Stockton; John L. Kingsbury, Sacramento; William H. Menn, Los Angeles; George N. Murch, San Diego; C. M. Putnam, Oakland, and Ira D. Wheeler, Santa Monica. Phil D. Ellithorpe, Fresno; Myrl Ott, Long Beach, and W. Averill Reading, Santa Rosa, have served a part of the last year to fill vacancies. Russell J. Quisenberry of North Hollywood is a new appointee. C. W. Carpenter of Petaluma, immediate past president and state national director, is ex-officio member of the board.

Departmental Committee Named

SAN FRANCISCO — Commissioner Garrison has appointed a special committee in the California department charged with the responsibility of studying every operation to make recommendations looking toward streamlining operations and producing greater efficiency.

Those appointed are H. A. Benjamin, assistant commissioner, chairman; Harold B. Haas, assistant commissioner, and Frank Fullenwider, administrative assistant in the San Francisco office; Wyckoff Westover, administrative assistant, and J. D. Thomas, chief documents examiner of the Los Angeles office.

Employees of the department have been requested to aid the committee by making suggestions based on individual experiences.

Anti-Coercion Proposal

SAN FRANCISCO—In a report to Governor Warren of California, Commissioner Garrison reports that he has received from "one of the local associations of insurance agents" a resolution

proposing changes in the law to prohibit lenders of money from compelling the borrower to obtain his insurance through a designated agent or broker—usually the lender himself.

The commissioner states that this practice appears to be common with several agencies engaged in making loans secured by real estate. No action has been taken by Commissioner Garrison because the California legislature will not meet again until January, 1945, but he says "the problem referred to in the proposal is one of some concern."

Babcock Leaves A.E.S.

Carleton D. Babcock, former editor-in-chief of "Underwriters Report" of San Francisco and more recently with the Agricultural Extension Service, has resigned that connection. Mr. Babcock went to San Francisco in 1917 for the Insurance Economics Society to fight the campaign being conducted in California for state health insurance. Later he was manager of the Insurance Brokers Exchange for several years and was the first general manager of the National Automobile Club when that organization was launched by the stock fire automobile writing companies.

Arapahoe Club Meets

Eighteen members of the Arapahoe Club, out of a total of 25, held their usual get-together luncheon in San Francisco. The club is made up of fire insurance men who formerly served in the Rocky Mountain territory with headquarters in Denver and who have been transferred to California. Several have retired from active business in recent years. William Deans of Deans & Homer is chairman of these informal get-togethers.

San Francisco Accountants Elect

Henry Boos, chief accountant of the Pacific Board, was elected president of the Insurance Accountants Association of San Francisco at its annual meeting. William Kelleher was elected vice-president, and W. O. Gropius was reelected secretary-treasurer. Girvin Whitney, London & Lancashire, and Lou Turner, Hartford Fire, were elected to the executive committee.

Change King County Parley Date

SEATTLE—The annual meeting of the King County Insurance Association has been advanced from Jan. 11 to Jan. 12, Wm. Gasser, general chairman, has announced. A business session, at which new officers for 1944 will be elected, in the afternoon, will be followed by a social hour and the annual banquet.

Named by Trinity Universal

J. M. Robertson has been appointed underwriter in charge of the fire and inland marine departments of Trinity Universal in Los Angeles.

Los Angeles Exchange Meet Jan. 11

The Insurance Exchange of Los Angeles will hold its annual meeting Jan. 11.

NEWS BRIEFS

Elmer G. Johnson of the Pacific department office of Hartford Fire has been elected president of the San Francisco Junior Chamber of Commerce.

The Insurance Women of Los Angeles held the annual Christmas party with bosses as guests.

Meserole Office Moved

The Chicago office of the Meserole group in charge of Franklin J. Pocquette, western field representative, is being moved to larger quarters at 956 Insurance Exchange building. Also located in that office are Seymour Braman, marine representative and George Kluber, Illinois and Wisconsin state agent.

EASTERN STATES ACTIVITIES

Expect Numerous Improvements in Md.

BALTIMORE—Maryland fire insurance interests are planning for the use of the 1943 standard New York fire policy as of March 1. Maryland does not require legislative action, but an agreement between the two rating bureaus covering the state together with official sanction by the insurance commissioner as to the date has been necessary.

The Association of Fire Underwriters of Baltimore through its regular and special committees has given much study to the necessary changes incident to the new policy, and the Middle Department Rating Association (middle division) has likewise been engaged. The work of each has been checked with the other and satisfactory concurrent progress is reported. In their manual revision, the Middle Department's task is difficult since its territory includes two other states, viz, Delaware and Pennsylvania.

At the same time that the necessary changes are being effected by the Baltimore association, many other rule improvements are expected to be made by that organization in order to keep in step with present day needs and underwriting trends. The fire forms resulting from these changes should be greatly simplified and shortened.

Vt. Agents Advocate Several Liberalizations

The Vermont Association of Insurance Agents is actively advocating several liberalizations of fire coverage and these points were discussed at the recent session of the New England advisory board. Some of the New England state agents organizations are not in favor of the Vermont program but a survey is being made to determine on what points there is agreement in New England so that these can be brought forward as a unanimous recommendation.

The Vermont agents desire instalment payment at the assured's option, of the premium on term policies when the premium is \$100 or greater; combination of smoke endorsement No. 1 with extended cover endorsement No. 4 at no extra cost; inclusion of the e.c. endorsement in all minimum rated private dwelling policies, as a regular coverage, at a slight increase in the present fire rate; reduction of the present extended cover rate; coverage of electrical losses and automatic coverage of unscheduled out buildings to an amount not exceeding 5% of the amount of the main dwelling. The latter is not to be confused with the present practice of automatic coverage of contents of unnamed out buildings to an amount not exceeding 5% of the cover on contents of the dwelling.

Big Loss at Hagerstown

Fire loss amounting to several hundred thousand dollars was done in a blaze started by a paint shop explosion at Hagerstown, Md. Heavy damage was suffered by the Statton Furniture Company which does servicing, finishing, painting and camouflaging for the Glenn L. Martin Company in Baltimore and the Fairchild Aircraft & Engine Corporation at Hagerstown. There was a loss estimated at about \$100,000 to the Hagerstown Wood Products Corporation.

Cross Heads Mass. Brokers

Albert Cross of Boston has been elected president of the Insurance Brokers Association of Massachusetts. Fred M. Campbell of Springfield is vice-president.

N. J. Fire Loss Cut

NEWARK—New Jersey's fire losses for 1943 are estimated at \$7,689,000, a decrease from \$8,946,393 in 1942. Dur-

ing November and December fire losses throughout the state mounted in comparison with the same two months of last year.

Dwelling losses showed a downward trend but farm losses were a trifle higher.

National Board Memorandum Sets Record Straight

NEW YORK—The National Board has mailed to fire insurance agents throughout the country a memorandum citing from the record of Congressional hearings on the Bailey-Van Nuys bills answers to charges and misstatements made by opponents of the measures.

The memorandum cites passages to refute charges that the bills are backed by a \$700,000 "slush fund," that an extra 5% commission was allowed a certain group of agents to push the legislation through Congress; that the legislation is aimed at promoting monopoly; that the companies are using it to escape prosecution; that the bills would supersede the Supreme Court in the Atlanta prosecution of the S.E.U.A.; that special privileges or favors are being sought through the bills; that there is no control whatsoever over fire insurance rates in some 25 states; that the proposed legislation would create a "no man's land" in insurance.

Hancock in Monopoly Charge

The memorandum quotes the categorical denial made before the Senate judiciary subcommittee of the first two charges. On the monopoly charge it quotes Rep. Hancock of New York on the great number of insurance companies outside the associations referred to by the attorney-general. It cites the House judiciary committee report regarding granting of exemption from the anti-trust laws as follows:

"The bill could have no such effect since the antitrust laws have never been applicable to the business of insurance and if insurance is to be made subject to those laws it should be done by an act of the Congress which is the law-making and policy-fixing body of the government."

Other sections of the memorandum cite facts and figures from the record to refute the other charges. As to the amendments to the proposed legislation suggested by Senator O'Mahoney the memorandum states:

"First, they would cause utter confusion in the business; second, the states already have the control purported to be given them in these amendments, and third, the effect would be to impose a kind of federal regulation disguise."

Adjustable U. & O. Forms in Canada

TORONTO—A new clause for certain use and occupancy forms has been adopted by the Canadian Underwriters Association. It permits the assured to estimate insurance requirements above actual expectations. There will be a premium adjustment on expiration, based on the insurance actually required. The adjustment will be limited to a 50% reduction in the premium originally paid. There is a provision for audit of the assured's books and for filing of certain statements by the assured at adjustment time.

There has been considerable agitation in Canada for a reporting use and occupancy form and this plan, which superficially resembles the rules in many American jurisdictions for pro rata cancellation up to 50% on mercantile stocks, is apparently a compromise.

Share '43 Fortunes of Direct Writers

(CONTINUED FROM PAGE 13)

ity hazard. Of course the increased patronage of the bus lines produces increased insurance premiums but the loss curve has been ascending more sharply than the revenue trend.

The post war thoughts of casualty reinsurers center largely on automobile rates and on the aviation field. There is the greatest apprehension as to the automobile experience after the war. When gasoline controls are removed and retiring soldiers accustomed to the careening pace of the jeep and to air travel, get behind the wheel, the streets and highways will become almost instantaneously treacherous, the reinsurers fear. They are hopeful that some sort of emergency action can be taken to raise the rates quickly without waiting for experience to mature just as the rates were reduced to reflect the probability of a sharp falling off of losses in a war time economy without waiting for the usual statistical factors.

Watch Aviation Field

The casualty reinsurers are intensely interested in all developments relating to aviation insurance. They are following closely developments in the aviation industry itself and in the insurance field with the idea of being able to provide the facilities that the direct companies may desire in the post war era and upon a sound basis. It can't be said that any of the reinsurers have any program or set ideas on the subject nor do they profess to see just how the aviation industry will develop in this country and what the insurance requirements will be. They do anticipate, however, that most of the insurance companies will become interested in the line after the war and that the reinsurance companies will be called upon to participate. Insofar as the private passenger plane is concerned it is not anticipated that there will be complicated problems involved but there is a great deal of conjecture as to what will be desired in the way of insurance and what the hazards will be in connection with giant cargo and passenger planes of the future.

Constructive Leadership Needed

All of the reinsurance executives express the belief that there is a call for constructive leadership to give counsel to the legislators at Washington who are ready and eager to pass legislation affecting the aviation field and which will be the basis for insurance. They are much interested in providing uniform liability of the air carriers on a nation-wide basis. Some 13 states now have statutes limiting recovery for wrongful death to approximately \$10,000. If some attention is not given to this figure in federal legislation it can well get out of hand, it is believed, thereby increasing the cost to the public and the difficulty of insurance carriers to provide facilities. The Warsaw convention shows what can be done on an international level. That should be supplemented by a national law. In addition, many believe the insurance industry should support a federal workmen's compensation law ap-

plicable to the aviation field. There is a counterpart at the moment, in the longshoremen's and harbor workers act.

The insurance industry, in sponsoring legislation of this type, will not only furnish a sound basis for insurance but will keep the federal government possibly out of the regulation of the insurance industry by automatically letting the individual states carry on just as they are doing with respect to interstate buses and trucks in the liability field and to a certain extent with the longshoremen's and harbor workers' act.

It is apparent that the aviation business will require tremendous insurance capacity which will tax even the combined resources of both stock and mutual casualty and fire companies. Some observers are convinced it is essential for stock and mutual companies to submerge their differences in this area, lest a stock-mutual fight muddy the waters and provide those who are advocating government insurance or reinsurance for aviation with ammunition. Washington seems very determined to keep aviation insurance in this country and here is a situation where the federal government is willing to help the American insurance industry competitively with respect to London Lloyds.

\$10 Million Line

Something new in the way of digesting huge limits of liability insurance developed in this country this year and it may be a development that will point the way to the handling of aviation risks after the war. Bethlehem Steel Company came into the market for combined bodily injury and property damage liability cover of \$10,000,000. About two months was required to complete the line.

Had the customary procedure of passing along the liability on the excess basis been followed it might have been impossible to get the cover. As the liability was passed along from reinsurer to retrocessionaire the rate for the excess limits would have become thinner and those that had the peak limits would have no comparable risks in their portfolios. They would not be making a book but would merely be betting that there would not be a loss under this particular cover.

The solution was for 21 direct writing companies to reinsure the originating company on a pro rata basis. That gave each of the participating insurers an equal share in the premium and a risk that they could match against thousands of others to give an average. The underwriters felt that this was a long shot risk; that they were not likely to be troubled by a succession of small losses but rather that if there should be an occurrence it would be a whopper. Globe Indemnity was the originating company.

Most of the companies that got a pro rata share got reinsurance, also on a pro rata basis, from their treaty reinsurers, so the professional reinsurers got as much of the line as they could comfortably absorb.

Earlier in the year a \$5,000,000 limits contract was perfected in much the same way on the west coast.

This is taken as an indication of the power of the American market to handle in its stride the bigger risks of American industry and some observers believe that if this plan of pro rata reinsurance were applied to the aviation field little diffi-

culty would be faced in providing the domestic insurance market for American air operations that the government so devoutly desires.

The \$10 million figure is the aggregate of liability during the entire policy period, which is one year. The liability per accident is \$100,000. Bethlehem has to stand the first \$25,000 of bodily injury loss in any accident and also the first \$25,000 of property damage. That is, the \$100,000 coverage per accident applies to anything in excess of these limits.

The annual premium is \$200,000.

Problems of Reinsurance in Latin America

(CONTINUED FROM PAGE 14)

insurance within any one country and there are many reasons why it should be extended to the international field.

Although the majority of the Latin American companies are not large, nevertheless, relative to their commitments, many are sound and well directed and accordingly offer good cover for reinsurance.

Reciprocity may be effected by an exchange of reinsurances and also by facilitating the entry into the United States of Latin American companies. The

United States of North America offer a broad market which Latin American companies might well be invited to share in.

Recently, at a luncheon, a visiting South American dignitary is reported to have said that the Americans had done an extremely good job of selling the United States of America to South America but that no steps had been taken to sell South America to the United States of America. As he fairly stated, no trade can be one sided.

Attitude of United States Government

A reciprocal arrangement would certainly deserve, and probably receive, encouragement from the United States government since it tends to promote hemispheric relations and to bind the Americas more closely together.

Insurance companies, however, should not look solely to the government for help. Positive action is required on their part as individuals. The government would probably be willing to cooperate.

The United States Chamber of Commerce, under the leadership of Eric A. Johnston, has taken a close interest in the development of insurance relations among the countries of the Western Hemisphere.

The Latin American public will be the

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main recipient of the advantages to be derived from substituting reciprocal insurance treaties for economic nationalism. A greater spread of risks will give greater protection. The substitution of reciprocity for channeling organizations will tend to reduce the cost of insurance. The public will then have greater protection at a lower cost. If reciprocity is to be accepted as a basis for trade, it is reasonable to expect that our Latin American neighbors probably would substitute reciprocity for theories of economic nationalism.

Are U. S. Companies Ready?

United States companies should take the problem in hand and offer a feasible concrete solution. Reinsurance banks and state monopolies of insurance have arisen because some foreign companies have regarded the Latin American market as a place to make money quickly, without consideration for Latin American sensibilities or economics. It is a continuation of Hawley-Smoot tariff thinking to believe we can continue to sell insurance in Latin America if we are not willing to conduct our insurance on a reciprocal basis.

It is believed that many United States companies would be sympathetic if there were any evidence that the idea of reciprocity appealed to the authorities of the Latin American countries.

Reciprocal trade agreements entered into through the efforts of Cordell Hull, secretary of state, are well known. Too little thought has been given to extending this idea of reciprocity to the international field of insurance.

Streamlining Procedures in Facultative Work

(CONTINUED FROM PAGE 15)

of the non-agreement facultative reinsurance items in one writing, using a similar form, which however, does not contain the names of the reinsuring companies. There are about a dozen blank spaces on our form and we could make up forms for as many companies as we have spaces, depending upon the number of copies that must be prepared. In every case we must make up at least one carbon, as each assuming company expects to keep a copy of the reinsurance certificate and daily report and send us a copy signed in the usual way. Some companies require a third copy. These requirements are known, however, and the typist simply gets together a set of sufficient forms to take care of all of the companies. These are blank forms, the number to be added by the assuming company. All are typed in the one operation, but the name of the company is not filled in. There is no reason why it should not be filled in, other than that there is no particular reason why one company should know what the other company is getting. We fill in the names after the forms are typed. This is extra work and some day may be eliminated. The two or three copies are mailed to each assuming company, and the assuming company in turn signs one copy and returns it to us for our files. The assuming company's policy number is noted on our daily report at the time the signed certificate is returned to us. Eventually we hope to have more of these companies operating under the

agreement basis because of this numbering situation. It is not possible for us now to complete our facultative reinsurance with companies with whom we have no agreement because we do not know their policy number. We actually go ahead with our punching, however, and insert the numbers later, on all necessary records.

Cancellation Form Unnecessary

We have also designed an endorsement form to be used for these same companies with whom we have no agreement. It follows the other endorsement form and the company names are typed in after the form itself is completed for all companies in the one writing. No cancellation form is necessary inasmuch as we have the original certificates, and we simply return them to the assuming companies.

As we mentioned earlier, there is no reason why agents should not use this method of handling reinsurance. Each agent would, of course, have to get all of his companies to agree to the one form, which would be provided for him, signed, and numbered according to the companies' requirements. By having the same form from each company, all of the reinsurance could be written in the one operation, the same as we are doing it.

We have also been preparing accounts on the tabulating machines for all of our reinsurance effected. In this way, we have eliminated a great deal of the detail work we used to put in in checking individual reinsurance items.

While we have adopted these ideas in handling our own facultative reinsurance, the forms and ideas are not original with us. We picked the ideas and forms up here and there from companies that were well-advanced over ourselves. We believe, however, that there are many companies that might still make these changes to their own advantage.

These forms are quite simple and they lend themselves very nicely to use with one-time carbon. For instance, wherever more than one copy must be prepared for a reinsurance company it would be quite a simple matter to have the forms prepared with the necessary carbon inserted, and the home office copy, which must be prepared in every instance, can also be provided with one-time carbon already attached. The use of one-time carbon in connection with these forms will save considerable handling on the part of the typists.

We have also decided to go into various colors to distinguish the forms for one company from the forms of another company. We have a cabinet at the right hand of our operator with forms in special drawers so that they are readily available. By adding a color scheme we eliminate any possibility of taking the wrong forms.

Wherever it is deemed undesirable to show the names of the reinsurance companies it would be a simple matter to omit them, with the exception of the one company to whom the form is going. By having a predetermined arrangement of names and using the same line for each company every time, the elimination of the names would offer no particular complication.

Smaller Company Selects Its Reinsurance

(CONTINUED FROM PAGE 15)

insurance? There is only one basic purpose for the purchase of reinsurance and that is to obtain "protection," regardless of whether the form of contract is excess of loss, catastrophe, surplus line, or quota-share, yet the smaller company is faced with many problems which may be solved by the purchase of reinsurance of various kinds.

To what should additional considerations be given before selecting a reinsurer?

1. Does it make a practice of giving counsel in production, underwriting, claims and loss-prevention problems? It is of great value to a small company

if the reinsurer has representatives who know the direct insurance business and will aid the company in solving the many problems that arise day by day. Problems concerning agents or brokers and the writing of additional forms of insurance or entering new territory are continually arising; and the reinsurer's experience with other companies who have dealt with the same difficulties can often be of invaluable aid.

2. Does the reinsurer conduct a reinsurance business with other companies of the same type and size? A reinsurer doing business exclusively with large companies would not be as fully informed on the problems of the small company and, therefore, would not be so well qualified to prescribe proper remedies. However, the reinsurer doing business with all types of carriers, as is generally the case, would be equally competent to advise the small or the large company. But it has been said humorously that the reinsurer specializing in the small-company field is probably too busy to devote any time to the large companies.

Reinsurance Broker

3. Does the reinsurer recognize the reinsurance broker? Many insurance companies prefer to have a broker represent them, as do buyers of large amounts of insurance; and, while most of the reinsurance companies will deal with the broker, many of them prefer that he be compensated by the reinsurer. This is an important consideration when dealing through a broker and should be clearly understood before negotiations begin, in order to avoid difficulty concerning payment of the reinsurance brokerage commission.

4. Is the reinsurer willing to accept facultative business? Often there are instances when it is desirable or necessary to place specific-risk reinsurance. The reinsurer can be of real assistance in this respect. The subject of facultative reinsurance is one to which the small company, especially if it is writing fire and allied lines, inland marine and all-risks insurance, should give particular attention.

To render a satisfactory service to both agent or broker and insured, it is often necessary to write specific forms of coverage or excessive amounts which do not permit the primary carrier to maintain an "average" (an average is attained only if the insurer receives sufficient premiums of a class to absorb, with reinsurance, both normal and abnormal loss expectancy). Therefore, the only course is declination of the business or placement of specific reinsurance. The reinsurer can often serve better in this respect, for competitive reasons, than other direct insurers.

Extreme care, however, must be exercised in the acceptance of business to be reinsured facultatively as neither the reinsured nor the reinsurer have the same "average" or "spread of liability" in respect to this type of business as they do in the case of normal writings, with the possible exception of Underwriters at Lloyds London, who maintain probably the largest "open market" facilities in the world.

The "judicious" use of the facultative facilities of a reinsurer will prove to be an asset of considerable value.

It should be emphasized that the small insurance companies occupy a place of great importance in this country. It is an industry of groups and associations, professional men, business men, and manufacturers—truly American in spirit and in the results it achieves.

Each company is as different as its own officers and directors differ from one another, as different as New England from the south, as different as the eastern banker from the western rancher and yet—as every kind of American makes this great nation, so do the smaller companies form the keystone of the insurance business of this country.

The diversity of operations and dif-

ferences of underwriting opinions remind this writer of the Englishman who visited the various parts of the United States. In New England he was asked "What do you know?" In the far west, "What can you do?" In the south, it was "Who are you?" But upon his returning to the east and expecting to hear, "What will you have?", you can imagine his chagrin when instead he was asked "What have you got?"

Contract Terms Studied in Reinsurance Field

(CONTINUED FROM PAGE 18)

insurance treaties the agreements provide for all differences as to interpretation or effect of the contracts to be submitted to arbitration rather than to courts of law. While arbitration provisions vary to some extent in their terminology the general arrangement is for each party to the contract to nominate an arbitrator and the two arbitrators so selected to agree upon an umpire. The decision of this board of arbitration governs the settlement of any dispute arising between the parties to the contract. As a practical matter, differences arising under reinsurance contracts rarely go to arbitration.

In discussing inland marine reinsurance it was stated that this class of business is frequently reinsured under treaties similar to those applying to fire business. Inland marine treaties, however, provide for 15, 20 or as many as 30 lines of the ceding office's net retention, as this capacity is sometimes required to permit absorption of high valued risks. In order to prevent cessations of "peak items" from various sources, the reinsurers provide for the exclusion of certain individual "target" risks and also for the exclusion of classes upon which reinsurance business has not been profitable.

Mr. Collins mentioned that inland marine and automobile business do not lend themselves so readily to pro rata insurance as to the several types of loss excess coverage. Covers of this latter nature were, up until a few years ago, handled almost exclusively by London underwriters but there has been considerable development of an American market for this business in recent years.

Hail insurance on growing crops and rain insurance, both of which are handled to a limited extent in the American market, were mentioned as being usually subject to quota share reinsurance arrangements. The possibility of acquiring a respectable average or spread on this class of business is rather remote because of the limited volume available.

Mr. Collins concluded with a detailed discussion of the excess of loss reinsurance plan variously referred to as the "Carpenter," "spread loss," or "burning cost" cover which is the subject of wide spread differences of opinion among insurance men. These contracts provide that when the ceding company sustains in any one occurrence an ultimate net loss in excess of a specified amount the reinsurers reimburse the ceding company to a certain extent, for example, 90% of the excess of that amount up to and not exceeding a specified maximum amount. The ceding company undertakes to retain net for own account the remaining 10% of the excess—this having the effect of a coinsurance clause.

Unlike surplus line reinsurance treaties, excess of loss contracts do not call for payment of pro rata premiums but contain specific formulas setting forth the basis for determining the cost. Mr. Collins discussed numerous types of rate calculations that are employed in determining the cost factor.

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fighter a mustang? I hope so
I saw a swell movie about the air Force yester day.

Jeepers Id give my bike and sixriffs air rifle and
every model Id've ever built to be a pilot like you.
Dad said all you pilots are fighting so us kids wont
have to go to war when we grow up.

Dad says all of us at home must work hard so you
will be proud of us when youve won the war The way
we are proud of you

Mom says when we think we are working too hard
we should just think of John's sacrificises.

I'm making plane models and collecting scrap and
helping at the store on Saturdays. I'm going to be
an air Raid Messenger but I have got to be older.
I told the guys fellows about the jap helmet you
have for me and how your leting me use your type
writer while you are away and they say"boy are you
lucky". I'm awful proud of you. Come home soon and
teach me to fly.

your brother

Don

P.S. I bought another bond for \$18.75
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